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# Rebirth of Austrian Credit

## Economic Life Returning to a Shattered Nation

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ONE of the brighter chapters in the dark pages of Central European reconstruction is now being written. Out of the slough of misery and despond, Austria, a pathetic remnant of the old dual monarchy, is being lifted. A year ago the observers of world politics would have greeted with a cynical derision a proposal to float a loan for Austria and thus to stabilize her economic life. Today the house of Morgan has sold a large share of a guaranteed international loan that, unless all signs fail, will definitely place Austria once more on a self-sustaining basis. The floating of this loan is an achievement which finds few parallels in history. In order properly to appreciate the extraordinary trend of events in Austria, it will be necessary to review briefly Austria's history since the close of the war.

Historians have been prone to dwell on the inequities of the Versailles Peace; and but little attention has been paid to the Peace of St. Germain which sealed the fate of the once proud Austria, and which seemed to consign the unfortunate German remnants of that empire to a slow death by starvation. With the Treaty of St. Germain Austria was reduced from its pre-war population of 28 million to 6 million. South Tyrol, an overwhelmingly German section, was given to Italy for "strategic" reasons. To the north 3½ million Germans were lost to Czechoslovakia. Moreover, all the sins of the conglomerate empire were visited upon the 6 million Germans in Austria. Impossible reparations were demanded of them. As a result Austria became, in the words of observers, a head without a body, and Vienna, one of the great intellectual and commercial centers of the world, became a capital without a country.

Nor were Austria's troubles over with the signing of the peace. The succession states, Czechoslovakia and Jugo-Slavia, considered her rightful prey to their own nationalistic and commercial ambitions. Her commerce met with discrimination on every boundary line. Deprived of her access to the sea by the peace treaty, she was shut in by land by tariff barriers and transportation difficulties.

It is little wonder then that her eco-

nomic life deteriorated. Her currency depreciated with astonishing rapidity. Buyers from all over the world took advantage of her bargain sales and impoverished her. She pleaded for incorporation in the German Empire, but her conquerors rebuffed her. Nothing seemed left to her but death. Her people met the situation without rebelling. In spite of the misery and starvation of her children and of her middle class Austria faced her death decree with an almost gay demeanor. Vienna, the birthplace of the waltz, and the symbol of sprightly mood, seemed fairly to dance down the corridors of death.

By the beginning of 1922 Austria was nothing more than a living corpse, who had defied all the attempts of statesmen and politicians to revivify her. But with the passing of years and with the consciousness of the agony and suffering of her people, there was gradually evolved a new orientation in regard to Austria and Austrians. The same Austrians who had been forced to shoulder the responsibility for all the misdeeds of the old empire gradually found themselves rehabilitated in the eyes of their former enemies. A new interpretation of the origin of the world war held the Austrians up as the victims of a vicious, alien militaristic system and the cat's paw of the German Empire. Herzegovina and the annexationist policy of Austria were glossed over and the misdeeds of the Empire were shifted to the shoulders of Prussia and the Hohenzollern dynasty. To this new orientation of Austria and the Austrians there came also a more realistic consideration of Austria's economic problems. It was realized that reparations were impossible or at least for a long period of years, and the conquerors renounced their claims on reparations for twenty years which amounts to a virtual forgiving of the debt.

### CONSTRUCTIVE WORK BEGAN

There had been attempts to stabilize Austrian finances before 1922 but the first serious attempts were made in the beginning of that year. The British Government granted Austria a revolving credit of £2,500,000. The British credit, however, was exhausted by the beginning of June and when the expected French and Italian credits did not materialize the crown started again

on its downward path and things looked darker than ever. The beginning of the upturn came with the advent of Dr. Seipel as Minister of Finance. Seipel pleaded with the Czechoslovakians, Italy, France, and England for help. He appealed to the Council of Ambassadors in London for a loan. The loan was refused, but Lloyd George referred Seipel to the League of Nations who, he said, might work out some scheme.

Under the financial section of the League of Nations a scheme for the reconstruction of Austria was affected. The demands of this section were serious. The scheme of the League was no less than the complete reconstruction of Austria's internal affairs and her finances. The League guaranteed the existence of Austria on the condition that she organize her government so as to present a balanced budget within a reasonable period of years. The Austrians agreed. Under orders from the League she dismissed from her governmental payroll thousands of employees. She stopped her printing presses.

On July 29, 1922, the National Council of the Austrian Government authorized the establishment of a new bank of issue which was to take the place of the old Austro-Hungarian Bank which was to be liquidated. All the large banks of Vienna promised their support to the establishment of this bank. The French credit of 55,000,000 francs was passed by the French Senate and a compulsory loan to Austria was decided upon.

On January 2, 1923, the New Austrian Bank of Issue started operations and the old Austro-Hungarian Bank was liquidated by receivers appointed by the Reparations Commission.

The Federal Reserve Bulletin says:

*"The most important provision of the charter regulates the relation between the government and the bank. It prohibits the government from issuing notes or taking any other steps tending to decrease the value of the bank notes. It also prohibits the Federal Government, provinces, and municipalities from borrowing directly or indirectly from the bank without depositing gold or foreign notes and bills against the bank notes received. The bank, however, is permitted to discount notes of State enterprises operated independent-*

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# Get the Farmer Out of Debt

Instead of Devising Plans to Get Him in Deeper  
By Senator Carter Glass of Virginia

Address to 28th Annual Convention of the Natl. Assn. of Credit Men

**P**ERHAPS I cannot better indicate my feeling toward the National Association of Credit Men, or any appreciation of the honor done me in inviting me to this annual convention, than to say that when compelled by illness to make a choice, and to cancel those engagements to speak which my condition necessitated, I did not hesitate to cancel every other engagement I had, in order that I might come to Atlanta today.

A man would indeed be insensible who could not appreciate and cherish the friendship of an Association of this kind. I have understood and highly appraised its value to the country ever since the fall of 1912—now eleven years ago, when we first had under consideration at Washington what was known as Federal Reserve legislation; and all through that ordeal (because it was an ordeal) until at last the Federal Reserve Bill received the approval of Woodrow Wilson, we had the zealous and patriotic and steadfast aid of the National Association of Credit Men.

I remember well the day when Tregoe and Joyce and Endy, and other men of your legislative committee, came to Washington and appeared before the committee of which I had the honor to be chairman; and from that day I never hesitated a moment to call upon the men of your Association for assistance, because I perceived (as I hope they understood) that they were as earnest and determined as I, to bring about a speedy and complete reformation of the old archaic and destructive banking system.

And so I find it difficult ever to resist the temptation of coming and mingling with you gentlemen of the National Association of Credit Men.

I have been asked to discuss in a brief way rural credits this morning. And that I shall do in general, rather than specific terms; because in addition to discussing briefly that topic I do not want to neglect this opportunity to pay my respects to some of the critics of the Federal Reserve Banking System.

#### NATIONAL BANKS COULD NOT LEND TO FARMERS

Prior to the adoption by Congress of the Federal Reserve Act, there had never been written upon the federal statute books of this country one dollar's worth of credit to the men of the soil. Indeed, textually and administratively, and by decisions of the courts, it was not admissible for an American farmer to borrow one dollar from a national bank on improved farm lands, no matter how rich or productive they might be. He was excluded from that great national credit system.

One provision of the Federal Reserve Act, dealing with mortgage credits, authorized national banks to make loans, mortgage loans, on improved farm lands, for a period not exceeding five years; and Mr. Conant, at that time perhaps the greatest actuary in this country, estimated that one provision of the Federal Reserve Act extended

credits to the American farmers aggregating \$369,000,000. Today, under that provision of the Federal Reserve Act, I venture to say that approximately \$700,000,000 of credits are available to the American farmer.

Not content with that relief, the Congress three years thereafter appointed a Joint Committee on Agriculture Credits, of which I had the honor to be chairman; and we produced and passed what is known as the Federal Land Bank Bill, establishing a federal land bank somewhat analogous to Federal Reserve Banks in various sections of the country.

#### JOINT STOCK LAND BANKS ESTABLISHED

Under the operation of that Federal Land Bank Bill, there have been loaned approximately one billion of dollars on mortgages to American farmers. Under another section of the same Act, we established joint stock land banks, under a different regulation and limitations, under which provision there have been loaned approximately \$400,000,000 on mortgage to American farmers, and these farm credit associations and joint stock land banks are constantly multiplying. And today, the bonds of the farm loan land bank system are selling above par, and are taken as fast as they are offered upon the open market.

That measure of relief not being regarded by some as sufficient to meet the requirements of agriculture, the last Congress passed another bill known as the Intermediate Credits Act, making loans on agricultural products for a period of from nine months to less than five years—the Farm Land Bank System extending its loans for not less than five years and not more than forty years, on the amortization system.

That latest Act of Congress contained two major provisions. One was to establish in each of the Federal Farm Land Banks an auxiliary department to be known as the Intermediate Credits Department, under the administration of the Federal Farm Loan Board at Washington; and it is to cover this intermediate credit department between the nine months now provided by the Federal Reserve Act, and the five years provided by another section of the Federal Reserve Act. This intermediate credit is to extend for any period from nine months to five years.

There was a wide divergence of opinion as to the necessity for this Intermediate Credits System, at this particular time, some contending that the Federal Reserve Act as amended extending credits upon agricultural products from six to nine months, was quite sufficient, and others, more intent upon at least appearing to do something for the farmer, insisting upon an Intermediate System.

#### INTERMEDIATE FARM CREDITS SHOULD BE DISSOCIATED FROM FEDERAL RESERVE SYSTEM

I myself believe in an Intermediate System of credits; but I believe it should be totally dissociated from our

great commercial banking system known as the Federal Reserve Banking System, because the character and the nature of the credits is different.

It remains to be seen how much, or whether any business at all, will immediately be done by this Intermediate Credits System. Some prophets predict that it will not be largely patronized and some think otherwise. Other critics insist that to the extent that it is patronized the volume of business done by the local interior banks will accordingly be reduced, and that this Intermediate Credits System may prove a menace to the smaller country banks of the nation. Others just as earnest and just as patriotic in their motives seem to think that the Intermediate Credits System will help the smaller banks.

That is not all. So intent has Congress been to respond to the demands of agricultural interests of the country that we have revived what is known as the War Finance Corporation and practically applied it, in its activities, to administration of agricultural credits alone. And under that system, some \$200,000,000 have been loaned.

It seems rather singular to me that nearly five years after the termination of the War, we should have a War Finance Corporation in active operation. And yet, so insistent was the demand, and so emphatic was the protestation that nothing had been done for the relief of the American farmer, that I voted for it myself!

#### TAXES ONLY WAY FOR GOVERNMENT TO GET MONEY

What is the War Finance Corporation and whose money is it loaning? Some people think—not merely simple people in the great mass of citizenship, but United States Senators—that when the Government wants money, all it has to do is to start its printing presses. I have been taught to believe, and actual observation confirms the fact, that the only way on earth for the Government of the United States to get any money is to take it away from you and me and all of the balance of the taxpayers of this country.

So that the five hundred millions of dollars with which the War Finance Corporation operates is money taken from the pockets of the American taxpayer, and not merely script run off at random on a printing press.

And I contend that it is fundamentally wrong to tax all of the American people, and to take their money out of the public treasury raised for the expenses of the Government, and to loan it to one particular interest, no matter what that interest may be.

It could be justified, if it may be justified at all, only upon the plea of an extraordinary emergency and that was the plea set up for this unusual procedure; and that is the thing with which the sane man, with sound principles of economics, can solace his conscience for having voted for it.

How has it been operated? It has been operated with great skill and en-

gineering and integrity of purpose by Eugene Meyer, Jr., one of the best citizens and one of the most expert financiers in this country, and in my judgment only because it has been operated by a man of that type it so far has escaped corruption and mal-administration. In the hands of an indifferent or unscrupulous politician it could be made an engine of corruption and political power such as was never heard of in America before. And soon as we may get upon a sound and permanent system of agricultural credits (if we are not already on that base) I am in favor of getting there in order that we may extinguish this menace to the American people.

#### **POSSIBILITIES OF FAVORITISM BY WAR FINANCE CORPORATION**

Even under the able management which has characterized its activities, some of the most anomalous and extraordinary things have happened. There is not a line in the Act that would prevent the director of that corporation from loaning every dollar of the five hundred millions capital furnished by the taxpayers of the United States, to the farmers in one particular state that he might favor.

As an example, last year he loaned Virginia, with three and a half millions of population, a state which in the given period, didn't suffer a single bank failure, either state or national, a state where banking is sanely if generously done—he loaned Virginia \$700,000. In North Dakota where nearly every bank within the confines of the state had been thrown into the junk heap through a socialistic experiment, and with a population of less than one-fifth that of Virginia, this corporation loaned \$25,000,000 of dollars of the taxpayers' money. Tell me that that is equity—that that is just—that that is not a perversion of the powers of government! And I have no doubt that a comparison of this great state of Georgia in which you are holding your sessions today, would disclose a similar injustice.

Oh, we Southern politicians particularly, for the last half century, have been making the welkin ring, and disturbing the atmosphere of legislative halls with our declarations about the good old Jeffersonian Doctrine of equal rights to every man and special privileges to none. But we mean that for the other fellow! Whenever you touch cotton, we are for special privileges every time!

We twit and harangue in our political atmosphere about those who believe in the doctrine of special interests, of protection; and the difference between them and us is that they make no bones of it. They vow their adherence to that doctrine of a protective tariff, and undertake its defense, while we go up plausibly and unctuously and talk against special privilege—until we want the privilege. And then we go on all fours to get it as quickly as we can!

#### **FARM CREDITS NOW OVER-ABUNDANT**

I think, gentlemen, that the Congress of the United States has made ample provision for the supply of agricultural credits in this country. Not only have they furnished abundant facilities for agricultural credits, but I am heretic enough to express the belief that they have provided an over-abundant supply of facilities. We spend our days and nights as politicians in Washington trying to provide a way for the farmer to



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*Represented 6th Va. District in Congress from 1902-1918; Sec. of the Treasury, 1918-19; and now U. S. Senator from Virginia*

get in debt, instead of spending a little time to get him out of debt!

About the worst thing that may happen to any industry, whether it be that of agriculture or the textile industry or the steel industry, or any other industry, or any individual man, is to make it easy for him to run in debt. *We ought to provide ways and means for people to get out of debt, and to do business nearer on a cash basis than hitherto.*

Why, in the discussion of this latest legislation for agricultural credits, particularly that provision of it which enables the great stock growing West to organize corporations of its own with a capital stock of not less than \$250,000, to take care of their long time credits, all the way from six to fourteen months, there were members of the United States Senate who deplored this proposition to require the stock raisers to furnish their own capital—they wanted to furnish the printing presses in Washington and let the Government furnish the capital.

That is the attitude of the average politician. He doesn't want to pass a

law that will enable the farmer to help himself. He wants to be the good angel and impress the farmer with the idea that he helped him, so that when election days rolls around he may collect his premium.

I say the law that enables any interest to help itself is infinitely to be preferred to any statute that has an element of mendicancy in it, that is proposing to extend charity to any set of men, or special privilege, either.

I believe in the Jeffersonian doctrine of equal rights to every man and special privileges to none, and I don't care whether it hits cotton in Georgia or tobacco in Virginia! And I have as much respect and affection for the farmer as any politician who ever lived. I have too much respect and affection for him to lie to him, and to make him promises that I ought not to make, and ought not to carry out if I could make!

I am a farmer myself. I have gold medals and silver medals for my Jersey herd in Virginia, for high production. And some of these other politicians shed crocodile tears over the farmer.

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# Opening the Purse Strings

"Business Goes Where it is Best Treated"

By F. R. Otte

McLaughlin Co., Inc., Brockport, N. Y.

**I**T has been said that salesmanship is a service of conversation. That is almost self-evident. Equally self-evident would be an analysis of credit work as the service of the pen. Let me illustrate.

Among the curiosities of the Orient, where I spent nearly twelve years of my life, there is a peculiarity about the Chinese language which always fascinated me. In the study of that language we find that originally it was a picture language—hieroglyphics—to which were added from time to time, phonetic symbols similar to our shorthand. But in many cases the picture still dominates.

The importance of this picture language can only be appreciated when you realize that there are a great many different dialects in China. They are so absolutely different that people living but a short distance apart speak a language unknown to one another. And yet the picture language is universal and can be read from one end of China to another; each dialect translating the picture into its own vocal expression. Mr. Hong of Canton could not converse with Mr. Chang of Amoy, but they can exchange letters and be thoroughly understood.

Now is this not to a certain extent exactly what happens every day in the credit man's office? Not in a life time could he call on half the men who daily read or throw into the waste basket his credit or collection letters. To be sure, Smith of Chicago and Jones of San Francisco could converse if they met face to face. But in the long run Smith or Jones must bare his soul through the picture language of the pen.

Now if the service of the pen is so valuable, a few moments of real analysis should be worth while.

#### TECHNICAL PRINCIPLES

There are two phases to be considered—the technical and the tactical.

The technical principles of a well written credit or collection letter are not different from those of any well written letter.

We must have *Unity*, a singleness of ideas; *Coherence*, making your ideas hang together and verge into the one essential idea to be put across; *Emphasis*, exactly what the word implies. The last and most important is gained by leading up to a climax or by bringing the main topic to the front immediately and then building a wall around it high enough to hold prisoner the reader's attention.

A letter may have unity, be coherent and have emphasis and yet lack those two most important elements, *Euphony* and *Diction*. Euphony deals with the sound of the letter and requires a nice placing of words and choosing of phrases; a process of harmonizing to meet the essential characteristic of all good writing which requires that it sound well. Diction further carries out this tuning up process by a careful choice of words, the elimination of trite expression, and selection of a style

adaptable to the case at hand. A good business letter cannot escape the ordinary rules of good literature.

#### TACTICAL PRINCIPLES

Now for the tactical side; primarily bear in mind the five C's. They form a ready summary demanding that the letter be *Correct*, *Clear*, *Concise*, *Courteous*, and have *Character*. A sixth may be added: Camouflage any bitter or sarcastic feeling, especially when writing collection letters.

Of two phases of credit correspondence which daily require our attention, credit granting, and collections, the former may be divided so as to cover those details which pertain to: (a) the obtaining of credit information; (b) the granting of credit; (c) the refusal of credit.

The obtaining of credit information through sources other than the customer has today obtained such scientific proportions that it may be passed over with the simple reminder that a favor is being asked, and the letter should be dictated accordingly. The favor can be rewarded only by reciprocity. The grantor is written to in confidence; and confidence should be assured in the treatment of his reply.

The obtaining of credit information directly from the customer is a much more delicate matter, and one which requires the utmost tact and diplomacy. The fact that modern business methods have reached a high water mark in this as well as other particulars, may lead us to feel that no intelligent merchant will be unduly sensitive about this intrusion into his private affairs. In fact it should not be difficult to make him feel that when he seeks credit, he in a measure seeks our partnership for his enterprise and thus ethically as well as legally obligates himself to lay the cards on the table.

#### "BUSINESS IS SENSITIVE"

But fundamentally and in spite of business advancing more and more into the realm of reason, human nature reflects but little change. It is still axiomatic that "Business is sensitive, and goes where it is best treated." We should emblazon then on the very soul of our letter that idea of "Consider the other fellow's feelings."

Make your letter personal, friendly, courteous. Let there be no taint of suspicion. Avoid such a letter as this:

Dear Sir:—Your letter of November 15th inquiring about opening an account with us on credit terms, has been referred to me. In answer I desire to inform you that before we can open such an account it will be necessary that you supply us with references. If we find they are satisfactory, we shall extend the privilege; otherwise not.

#### Would not this be better?

Dear Mr. Smith:—Ever since the establishing of this business, we have always made it a point to look upon our customers as partners; extending to them every possible consideration and help in the advancement of their business ambitions.

Your letter of November 15th has expressed your desire to open such a relationship, and we thank you.

In order that we may be in a position to extend to you our service in this respect as soon as possible, may we ask that you kindly give us on the accompanying form the usual information requested from our new patrons.

We must now turn to No. 3, the refusal of credit. This is quite as delicate. In a sense it would seem not. Apparently there is nothing to gain, and therefore nothing to lose. This is not a far-sighted opinion, for every man has a potential come-back. The "no rating" of today may possibly be the merchant prince of tomorrow.

A paragraph of this nature will take away the sting of your refusal.

Although the information from you and from outside sources has been favorable to you personally, yet it has not fully come up to our rather strict credit requirements. In all probability you will be able to meet them in the near future. In the meantime, we sincerely hope you will be disposed to accept our cash terms.

We now turn to a phase of our correspondence perhaps more difficult, and certainly more time consuming. This is the collection phase.

Here again the five C's must dominate, with unusual emphasis on Courtesy and that "Regard the other fellow's feeling."

#### BUILDING THE COLLECTION LETTER

The general principles of building collection letters to a suitable climax are perhaps well known, yet they may bear repeating:

1. Sell a man into making a payment. Don't force him, except as a very last resort.
2. Don't start a collection letter with the thought that the other fellow is a crook and is trying to beat you out of your money. Don't think your customer other than neglectful.
3. Make the "You" stick out in the letter and submerge the "We."
4. Taboo trite expressions, such as, "We have your favor of the 15th and in reply beg to state." "Trusting that we will receive an early and favorable reply, we beg to remain."
5. Be honest with your debtor, frank and explicit. Remember that about 90 per cent. of all human beings are honest and want to pay their undisputed debts. If they are negligent there is often a reason and you have obtained a friendly point of contact which will work wonders.

In writing collection letters there is a pretty well prescribed course to follow, a definite climax to be reached in which we must remember that two things are to be obtained, both equally important, namely (a) to get the money, and (b) to keep the customer.

#### STEPS IN COLLECTING

From weakness to strength we proceed somewhat as follows:

1. Send a statement as soon as the account is due.
2. Follow with a simple, short form letter or printed reminder.
3. Then a stronger reminder urging that credit standards derive their source from a moral obligation. Appeal to the debtor's fair-mindedness.
4. Hit at his pride and suggest draft by a certain definite date.
5. Make draft.
6. Show that self-interest should prompt him to pay before his reputation is impaired or he is embarrassed by collection agencies.
7. Resort to fear and threaten direct legal action if the debt is not paid by a definite date.

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# Make the Nation Safe

## For Gold Standard and Federal Reserve System

*By J. H. Puelicher*

President, American Bankers Association

Address to 28th Annual Convention of the Natl. Assn. of Credit Men

I AM delighted to be the bearer of the greetings of the American Banker Association to the National Association of Credit Men. The banker is primarily a dealer in credits and he is strongly represented in your membership. The spirit of co-operation which is prevalent among those in charge of credit-giving, is an indication of their understanding recognition of the constantly growing inter-relationships in business life as well as in the life of nations.

Credit. What would the world be without it? With which of our necessities, comforts and luxuries would we part were there no such thing as credit? When one considers that *credit enters into approximately 95 per cent. of the business transactions of the world*, one has a realization of its importance; likewise, from the same fact, one arrives at an estimate of the importance of a convention of the National Association of Credit Men.

Credit men have been exceptionally intelligent in the development of their organization. While the general association meets but once a year, its many branches hold many meetings each year, constantly advancing credit knowledge, credit methods, and credit ethics; for which reason credit is being given each year on a relatively higher scientific plane. I can well remember when the credit department of a fairly good sized bank, statements, records and reports was completely housed in the brain chambers of the managing officer of the bank; and with his demise went not only his experience and his judgment, but oftentimes, also, all the knowledge and all the data relative to the affairs of the bank's borrowers. Neither credit methods nor credit ethics had obtained their present standing. It was not unusual to unload an undesirable risk on an ambitious neighbor. Recognition has not yet been given to the practice of credit men of assisting one another in ridding business of the undesirable credit risk. How vastly different today, when there are no banks and no commercial concerns extending credit without well developed credit departments, without well-kept credit files, in which are kept records making it possible to follow the growth, or decay of a business; containing the history of the business, of its personnel, of their moral and business responsibility. Truly, credit giving has been advanced by leaps and bounds and much of its progress is due to this wonderful organization. But I am not here today to discuss with you primarily business credits.

I want to talk with you of two institutions.—American institutions—vital factors in American business and in American life. I want to speak with you in regard to these two that they and their usefulness may become more generally known to the American people; because upon the knowledge of their usefulness may depend their continued existence. A discussion

cult to find a banker willing to admit that the war could have been won without the aid of the Federal Reserve banks, or that the trying period of deflation following the after-war boom, could have been financed without break-down and panic, but for the Federal Reserve System. It would be difficult to find a banker, understanding thoroughly the purposes of the Federal Reserve System, who would be willing to admit that we could continue a first class commercial nation, without the Federal Reserve banks, or mechanisms similar to them in construction and designed to perform similar duties.

And yet there is a feeling of antagonism to the Federal Reserve Banks based in a measure on some minor mistakes made in their administration, but based more generally on a misunderstanding of their purposes, of what should be expected of such a system, and of what such a system should not be asked to perform. The banker, as much as any man, is to blame for the present misconception of the functions of the Federal Reserve Banks. He, soon after their creation, found them a ready scape-goat upon which to place the blame for no matter what happened. If it seemed desirable to call a loan it was easy to say that the Federal Reserve Bank wished it. If it seemed desirable to refuse a loan, it was equally easy to state that the ratios in the proposed borrower's statement were not in conformity with the regulations of the Federal Reserve Bank. And so innumerable requests, which should have been refused frankly because contrary to good banking practice, were refused because the Federal Reserve Bank of the district in its regulatory power made the granting of the requests impossible; but most of all was the system blamed for the fact that the period of violent inflation which followed the war, and which hundreds of business men and bankers hoped might be continued forever, was finally checked by putting up Federal Reserve interest rates to a point which made further borrowing and further expansion unprofitable. There were those who blamed the System for not having put up the rate soon enough and others who blamed it because it put up the rate at all. And the penalty for thus blaming every business mishap on this valuable system, may be the loss of its much needed benefits.

To commercial America, these great rediscount institutions are of untold value. Their purposes are better understood and more appreciated by men engaged in giving credit than by any other one class, and it is for this reason I say to the members of the National Association of Credit Men, that if we wish to save the present bank of the United States from the fate of its two predecessors, we must make known to America, to its rank and file, the splendid usefulness of these institu-



J. H. PUELICHER

in regard to them should be particularly interesting to you because of your special knowledge, and because you, as credit men, are sensitively attuned to an appreciation of those relations which vitally effect business both public and private.

#### THE FEDERAL RESERVE SYSTEM

The first of these institutions that I wish briefly to discuss, is the Federal Reserve System. This System came into being in November 1914, just after the beginning of the World War. After years of study and debate, there was translated into action, a piece of legislation which became known as the Federal Reserve Act and as a result of which there were organized, the twelve Federal Reserve Banks. These twelve banks were located so as to serve best a country whose territory is so expansive that a single bank could not well serve, and their functions were unified and kept under single control by a Board which sits in Washington. The Federal Reserve System is the third attempt of our government to organize and maintain a central bank of discount and issue.

There was the first bank of the United States which on the expiration of its charter ceased to be. Then later there was the second bank of the United States, whose fate was similar to that of the first. And now, after many years of an entirely decentralized banking system, and after years of investigation and study, and as the result of the best experience to be found among civilized nations, there was given to this country a banking system which appears in the brief period of its existence already to have justified its creation. It would be diffi-

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# The Analytical X-ray and Periscope

## The Collection Radio and the Adjustment Pulmотор

*By Vernor Hall*

Mgr. and Treas. North Texas Adjustment and Credit Interchange Bureau  
Address to 28th Annual Convention of the Natl. Assn. of Credit Men

WHEN I was invited to talk to you on the credit man's tools of trade, on the mechanism and management of the credit department, I could only gasp at the lack of caution in asking the representative of an Adjustment Bureau to talk on a subject so suggestive of the work of the Adjustment and Credit Interchange Bureaus of the National Association of Credit Men. Somehow it seemed to be analogous to the risk one might run if he were to invite a manufacturer of cork legs to deliver an address on the best substitute for the human foot before a convention of one legged men: it is an open invitation to talk shop, which cannot be avoided.

### SOME THINGS A CREDIT MAN MUST BE

To begin with, what is a credit man, anyway? It is as hard to define a credit man as it is to analyze a ray of sunshine, for the reason that, like the ray of sunshine, you can see him all right, but when you reach out your hand to lay hold of him, you grasp only space; he isn't there. A credit man is a composite union of many trades, unions, callings, professions, and arts. To be a successful credit man, he must be something of a lawyer, an expert psychologist, a fair phrenologist, a historian, an uncertified C. P. A., a never failing physiognomist, a modern prophet, naturally without honor in his own country. To be an ideal credit man, he must have something of a mixture of the patience of Job, the wisdom of Solomon, and the courage of David. He must possess tact, ability to concentrate, power of analysis, initiative, memory and sales ability. When business is dull, and failures are plentiful, and his customers are holding the dollars so tightly that you can hear the eagle scream in pain, when the head of the firm is complaining of the losses, the credit man must be of the type that can look unperturbed into the face of a bankrupt when he testifies he has forgotten his name and address. If the credit man has all the qualifications mentioned, if he can check a million dollars of orders with a minimum loss on bad debts, if he can radiate good will like a 10-carat chunk of radium and bring dollars into the till of the firm he works for, if he can spot a failure as far off as a deer can see, and has the faculty of predicting whether cotton will sell for 20 or 10 cents per pound six months before the crop is harvested, if he is a born diplomat, and a trained exhorter to higher business ideals, it is possible, barely possible that he might get a job at \$200 per month in some growing establishment, where his salary will be charged every month to "Expense," with emphasis to the Ex.

The credit department, in modern commerce, like Topsy, merely "grewed." The credit man, like a carbuncle on the neck of business, developed overnight, and has been considered a neces-

sary evil in a large number of establishments. Most firms never undertake to find a cure to eliminate him once he has established himself and has had a chance to show what he can do, but he has as a class been so busy with his task that he has not had the time nor the opportunity to announce to the world or to his firm, just what he has done and is doing. Consequently his accomplishments are in a large measure unknown to his firm.

### CREDIT MAN MORE LIKE THE ANT THAN LIKE THE HEN

The credit man is a poor advertiser. He partakes more of the habits of the ant, who works quietly, than of the hen who spends as much time in advertising as she does in manufacturing. His department is one of the most important in the modern business establishment, a business pulmotor to revive dead accounts into active customers and to bring back to life and activity the customer afflicted with check paralysis to the extent that he is unable to write a check for the balance past due. The credit man must be an artist capable of painting a picture of the advantages of prompt payment that will charm the elusive dollar out of his customer's till, an author whose arguments demonstrate that not only is honesty the best, but the only policy in business. A combination business doctor and actuary with his fingers on the pulse of an almost dead account, fighting to bring it back to health again, and at the same time accurately predicting its actual chances of recovery.

What are his tools of trade, and how and when does he use them? I have never dissipated in my life, consequently have never played golf, and, therefore, don't know one club from another; but I have been advised (a considerable number of times) by friends of mine who engage in that form of dissipation, that a man selects his instrument, according to the shot he is about to make. The smile is perhaps inappropriate as you could hardly call golf a trade,—although I have several acquaintances who have gone into the business of playing so regularly that I am constrained to believe that they have adopted the game as a trade.

The credit man, as a rule not only is responsible for the making of the account, but it becomes his duty to collect it after it is made, and, therefore, he is as a rule, both a credit man and a collector. As such, his tools of trade group themselves into those that pertain to the granting of the line of credit, and those that he uses in collecting the account after it is made, or liquidating it for as large an amount as possible, if he is unable to make collection in full. Like the golf player he carries around with him a great number of clubs, some of them, he uses only occasionally, and some frequently, but all of them are as dear to his heart as his clubs are dear to the heart of

my friend the golf player, and from his viewpoint indispensable. For the sake of brevity, we may divide them into three classes:

1. The Analytical X-ray and Periscope.
2. The Collection Radio.
3. The Adjustment Pulmotor.

1. *The Analytical X-ray and Periscope.* is a wonderful instrument for the detection of trouble before it happens, and upon its wise use depends the success of the credit man in his chosen profession. It can be made, if properly handled and constantly used, of the same degree of usefulness to the credit man that whiskers are to the average house cat. The only use that the cat has for whiskers is when he comes to a close place; he first tries it out by poking his head in to see whether his whiskers will go through without touching, and if there is room for his whiskers, he knows then that his body will go through. It is too bad that many credit men fail to take lessons from nature's foremost investigator, the cat, and investigate first rather than wear out the batteries of the collection radio, or send out an S. O. S. call for the adjustment pulmotor, trying to repair the damage, which might have been avoided by the analytical use at the proper time of the analytical X-ray and Periscope.

The analytical X-ray is the property statement, and the mercantile agency report which the credit man gets on his customer, and no credit man should open an account without first securing both. Having secured these and subjected the proposed credit risk to the closest scrutiny and analysis, there still remains the most important tool to use before the risk may be safely passed. That is the periscope, an interchange report of the National Association of Credit Men. The chief usefulness of the business periscope is to be able to see things that are not visible above the surface, but are concealed beneath. The most important question that the credit man has to answer is not, Is the prospect able and willing to pay his bills?, but, *Is he doing so now?* A certain important place is paved with good intentions. Actions speak louder than words. A good tree brings forth good fruit, and an evil tree, evil fruit. A line of current history affects you and more than a volume of the rise and fall of the Roman Empire. Is the man discounting his bills now? Is he paying them promptly at maturity? Does he make unjust claims, take unearned discounts, or return merchandise without warrant? Unless the credit interchange report answers in his favor, don't ship him.

The credit man who fails to take advantage of the information that this interchange report will give him, will, like the pup who smelled of the third rail, be presently filled with informa-

(Continued on page 24)

# Failed to Report Credit Facts

## Salesman's Reticence Caused Loss to House

### By Leslie Childs

Greenfield, Ind.

THE picking up and reporting of credit information of various kinds is in many sales organizations considered an important part of the traveling salesman's duty,—especially where the salesman's employer is assigned to a certain territory and kept there perhaps for years.

In situations of this kind the salesman will become more or less acquainted with every retailer he sells. He will in the natural order of things learn much about the financial resources of such retailers, and he should, in justice to his employer, be able to give a fairly accurate credit report on every retailer he sells in his district.

However, regardless of how well such a salesman may be informed from a credit standpoint upon the retail traders of his district, it may do his employer little good unless reported upon. In fact, in some situations, information which is acquired by the salesman, but not reported into the house, may through *this knowledge of the salesman become an actual liability to his house*. Especially is this true where the information acquired has to do with a change in the membership of a given retail firm, which in turn affects the credit standing of the firm.

This brings up the question of when notice to a traveling salesman of a change in membership of a retail firm will be deemed notice to the salesman's employer. The point was passed upon in an interesting manner in Jenkins Bros. Shoe Co., vs. Renfrow, 151 N. C. 323, under the following state of facts:

#### PARTNERSHIP DISSOLVED NOTICE GIVEN TRAVELING SALESMAN

It appears that G. V. Renfrow and T. J. Renfrow were engaged in conducting a business as a partnership. This partnership was dissolved on March 28; and thereafter, on April 4, G. V. Renfrow who, it appears, continued in the business, gave an order for goods to T. N. Horn, a traveling salesman for the Jenkins Bros. Shoe Co.

The goods so ordered were delivered on May 27, and thereafter the instant action was brought to enforce payment for them. J. T. Renfrow appeared and pleaded in his defense that the partnership had been dissolved before the order was taken; that notice of this dissolution had been given through publication in a newspaper; and further, that Horn, the traveling salesman for Jenkins Bros. Shoe Co., had been notified of the dissolution, the contention of J. T. Renfrow being that he was, therefore, not liable.

The trial, however, in the lower court resulted in a judgment in favor of the plaintiff, Jenkins Bros. Shoe Co. From this judgment J. T. Renfrow, the defendant, carried the case to the North Carolina Supreme Court, where in passing upon the question of

whether or not notice of the dissolution of the partnership, to Horn the traveling salesman, would constitute notice to his employer the Jenkins Bros. Shoe Co., it was among other things, said:

"The agent [Horn the traveling salesman] admitted he had notice of the withdrawal of the defendant T. J. Renfrow from the partnership before May 15, and that he was then the agent of the plaintiff, with the same scope and extent of authority as theretofore. \* \* \*

After the foregoing statement of the facts brought out by the evidence, relative to notice being given the traveling salesman, Horn, the court in stating the general rule governing the effect of notice to the agent upon the rights of his principal quoted from Mecham on Agency, in part, as follows:

#### GENERAL RULE STATED

"The law imputes to the principal, and charges him with, all notice or knowledge relating to the subject-matter of the agency, which the agent acquires or obtains while acting as such agent and within the scope of his authority, or which he may previously have acquired, and which he then had in mind, or which he had acquired so recently as to reasonably warrant the assumption that he still retained it. \* \* \*

"If therefore Horn was such an agent that notice to him was notice to his principal, the plaintiff, \* \* \* it must follow that the plaintiff had notice of the withdrawal of the defendant, T. J. Renfrow, from the firm, and its dissolution, before May 15—between May 6 and 15, as fixed by Horn. \* \* \*

The court then after citing and reviewing authorities for the proposition that notice of dissolution would be sufficient to relieve the retiring partner from liability upon the order, addressed its attention to the question of whether or not the duties and powers of the traveling salesman Horn were such as to make notice to him equivalent to notice to his employer. In this connection it was, in part, said:

"Was Horn such an agent that notice to him was notice to his principal? The evidence offered at the trial tends to show that Horn was a traveling salesman of the plaintiff, and defendants made all their purchases, extending over several months, from plaintiff through Horn; that he was the sole representative of plaintiff in the section in which defendants did business, and visited their place of business nearly every thirty days; that he reported to plaintiff references given by new customers; that he reported dissolutions of partnerships with whom plaintiff was dealing, and sometimes received payments for bills due, when offered him by merchants, but that he was not instructed to collect bills; that he, in a general way, inquired about the condition of the business of those with whom he was dealing for plaintiff. In Cowan vs. Roberts, 133 N. C. 629, 45 S. E. 954, this court held:

"That notice should have to be given to the plaintiffs, or to some one of their employees who had charge of their credit department. \* \* \*

"A careful consideration of Cowan vs. Roberts, supra, does not convince us that that decision militates against our holding that the evidence was sufficient to support a finding that Horn was a competent agent to receive notice, and that notice to him was notice to the plaintiff, his principal. \* \* \*

#### NOTICE TO SALESMAN HELD NOTICE TO EMPLOYER

In conclusion the court reversed the judgment rendered in the lower court in favor of the plaintiff, Jenkins Bros. Shoe Co. The court held, in effect, that on the record notice given the traveling salesman, Horn, of the withdrawal of T. J. Renfrow from the partnership, before the acceptance of the order sued upon was notice to the plaintiff, Jenkins Bros. Shoe Co.; and that in this case Jenkins Brothers Shoe Company could not hold the retiring partner, T. J. Renfrow, liable upon the account.

The foregoing North Carolina case was carefully considered, and the holding is supported by much other authority. However, in this connection, it may be stated that the cases are not all in accord on the point decided, and other cases hold that notice to a traveling salesman of the dissolution of a firm will not be sufficient to bind the salesman's employers.

However, the holding in the case reviewed furnishes an apt illustration of the reasoning of those courts that incline to the North Carolina view. And further, it exemplifies in a striking manner the importance from the employer's standpoint of the prompt reporting by his salesmen of all changes in the membership of the firms, with whom business is carried on, that may in any manner affect the credit standing of such firms.

#### Thought-Provoking Charts

Prepared by the Federal Reserve Banks

By William Walker Orr

THERE is but one way to get the full advantages offered by such a convention as was held in Atlanta by the National Association of Credit Men—to go and become a part of the great meeting.

The CREDIT MONTHLY in its purpose to have the spirit and force of the convention penetrate as deeply as possible among the members has devoted many pages in this and other issues to the convention.

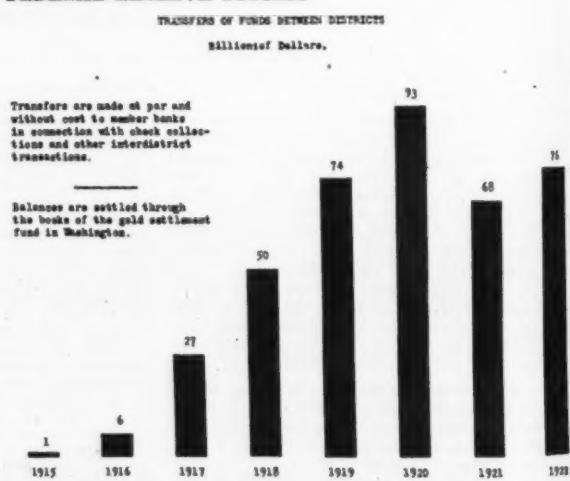
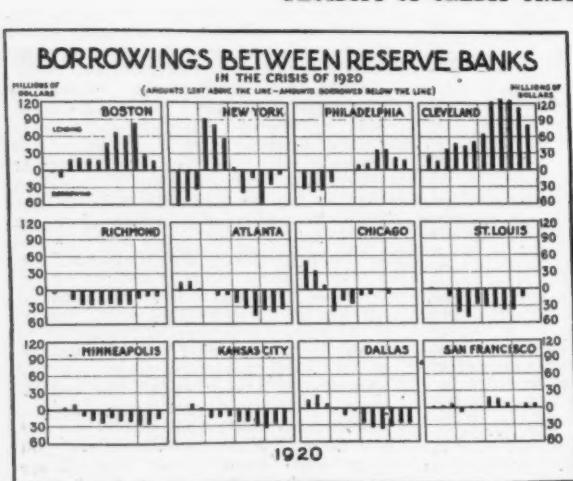
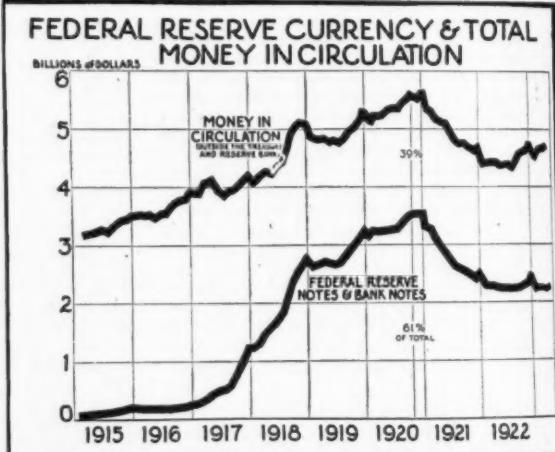
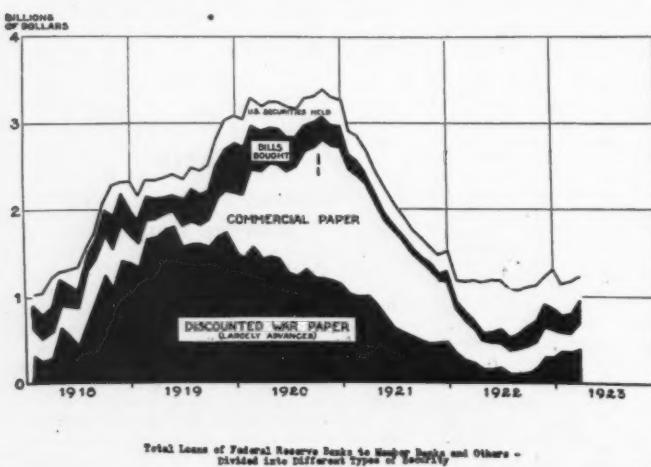
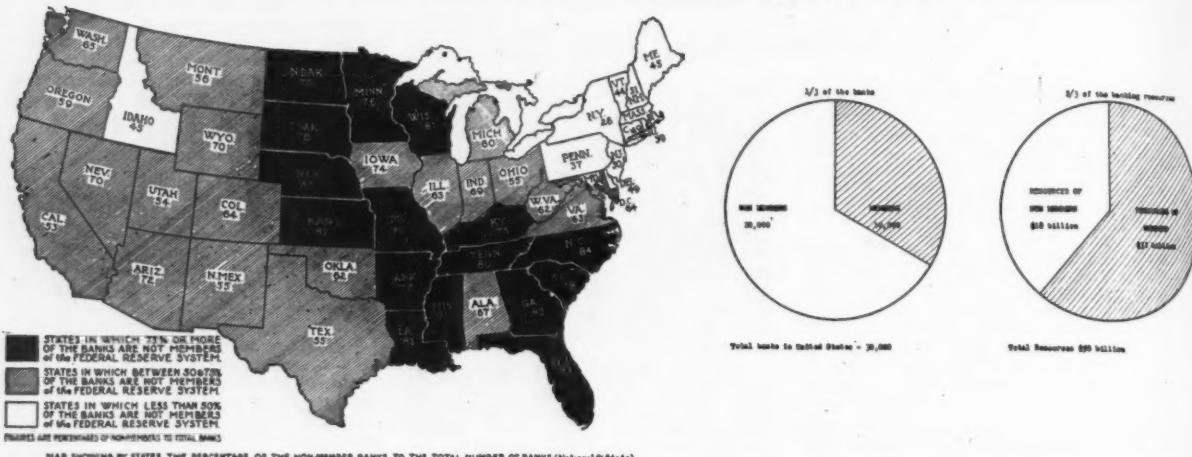
At the risk of seeming to stress one thing over another, attention is called to pages 14 and 15 of this issue given to charts relating to Federal Reserve activities and money and commodity movements, prepared for the information of convention delegates. These charts attracted much attention and brought out many of the questions which they were intended to provoke.

If we should here undertake to present the points of significance which the charts suggest, much space would be required. They are, therefore, presented with no more comment or explanation than accompanied them at Atlanta in the hope that every reader of the CREDIT MONTHLY will endeavor to work out for himself the significance of the facts presented and give the Editors the advantage of the conclusions or questions that they suggest.

Remember that these charts but set out facts. What inferences do you draw from them? Let the CREDIT MONTHLY have the advantage of your studies.

# Charts of the Federal Reserve System

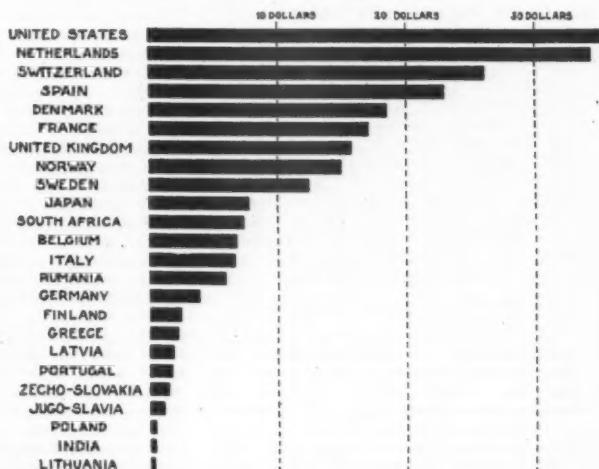
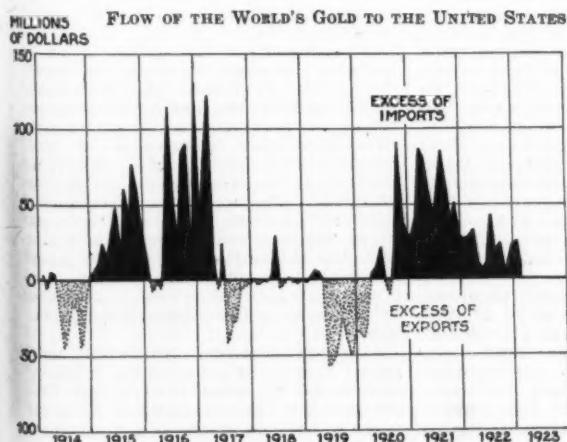
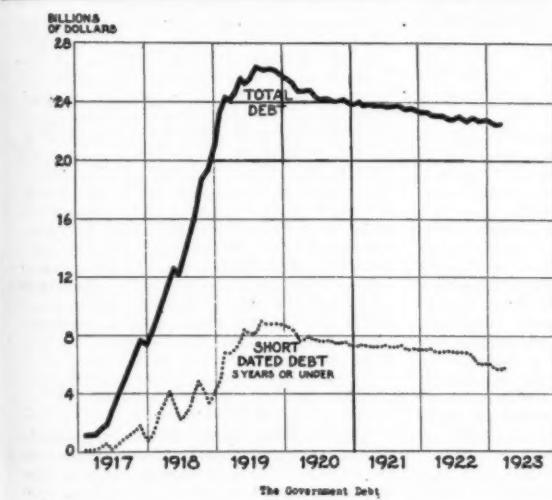
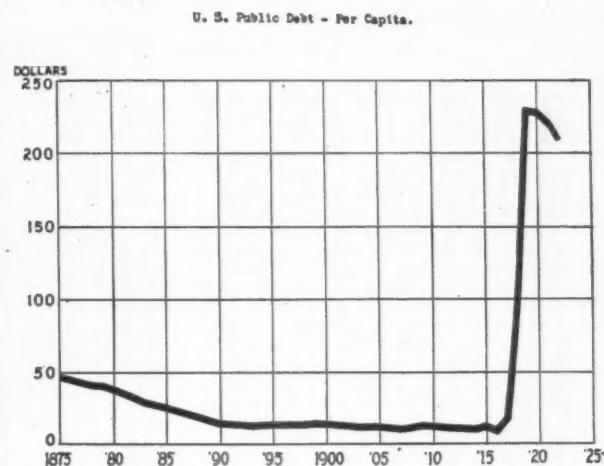
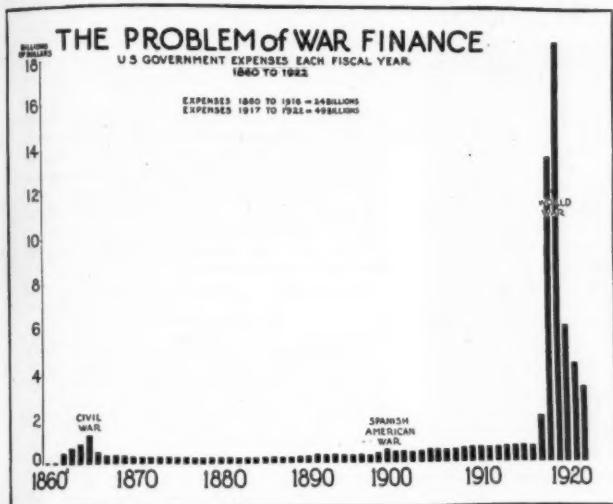
Prepared and displayed by the Federal Reserve Banks of Atlanta and New York at the 28th Annual Convention of The National Association of Credit Men



The Credit Monthly will undertake to answer questions that arise in the study of these charts.

# Charts of the Federal Reserve System

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# The Effect of Credit on Trade and Prices

## How They May Be Stabilized By Its Proper Control

*By A. S. Maxwell*

Vice-President, National Bank of Commerce in New York

THE relationship between credit and trade and prices in the United States is at present of unusual importance because of our extraordinary gold situation. We are fairly recovered from 1920 and naturally do not wish to repeat the experience of that trying year. At the same time, we have again a potential basis for a period of credit inflation—and resultant deflation—quite comparable to that from which we have just recovered. Since midsummer of 1920 over a billion dollars in gold has flowed into the country. We now have about half the world's supply, as against a quarter, before the war. We do not need a good part of this gold as a basis for legitimate credit requirements. On the contrary, a substantial flow of gold out of the country must eventually occur, and any credit structure built on exclusive gold would then come down like a tower of cards. With such possibilities in the background, proper credit control is essential.

Apart from this temporary situation, the problem of credit control is still of great importance, because the credit organization has within its possibilities for stabilizing, or rather for minimizing the too-violent fluctuations of trade and prices. I do not believe complete stabilization is either attainable or desirable. Complete stabilization might develop into stagnation. There is nothing like hard times to enforce economy, develop efficiency in operation, and lead to the improvements and inventions through which industry makes real progress. But at present we carry the fluctuations too far.

What is the actual nature of the movements of business;—why do they exist, what is their cause, and what relationship does credit bear to them? These questions are necessarily involved in a consideration of stabilization of trade and prices through credit control.

All are familiar with the phenomenon of the "business cycle" and with the terminology by which it is described. I question whether, in simplifying the description of the cycle so that it can be popularly understood, the actual facts of an extremely complex situation have not been somewhat overlooked. Almost involuntarily we picture a fairly regular progression of wave-like alterations in the volume of consumption and production, in trade and in prices and profits. We imagine the whole world of business moving, quite uniformly, like a chart of pig-iron production.

### DO CONSUMERS STRIKE?

The actual situation is not nearly so simple as this. A common popular explanation of the cause of depression has been the "buyers' strike." And yet such evidence as we have, seems to show that consumers don't strike in the sense of actually curtailing the aggregate physical volume of their buying. Data available on actual consumption are admittedly imperfect. For several years,

however, the Federal Reserve Board has compiled figures for the volume of sales of a widely distributed group of department stores, and of mail order houses, five and ten cent stores and drug, shoe and other types of chain stores. If we take the data for the value of sales in 1919-1922 and make even a moderate allowance for the changes in retail prices known to have occurred, it appears that the actual physical volume of goods sold was greater in 1920 than in 1919, greater in 1921 than in 1920; greater in 1922 than in 1921. There would seem, in a word, to have been a fairly steady increase in consumption throughout this whole cycle of boom, depression and recovery.

Recently the Reserve Board has also compiled an index of the value of wholesale trade, covering returns from 700 dealers in six different lines and in all parts of the country. This index for the period of 1919-1922 moved in the most striking harmony with the index of wholesale prices computed by the Department of Labor—so much so that the Reserve Board concludes—

"If allowance be made in the trade figures for changes in prices, it appears that there has been little variation in the physical volume of wholesale trade since 1918, except for the regular seasonal swings."

Other evidence pointing toward the same conclusion might be drawn from the volume of bank clearings, allowing for price changes, and from such a physical index of the movement of goods into consumption as less-than-carload-lot shipments, which consist primarily of merchandise rather than raw materials.

On the side of raw material production a complicated situation exists. Production of some raw materials can be adjusted with fair readiness to variations in the business cycle. Of such, pig iron is a good example, so much so that it has long been highly regarded as a "business barometer." On the other hand the great bulk of our agricultural output is produced almost without reference to the phase of the cycle—whether prosperity or depression—which may happen to be current. This is necessarily the case because the farmer (with his family) constitutes his own working force, and he cannot discharge himself when times are bad. This addition of labor costs to other fixed charges, wherein the farmer differs from most manufacturing enterprises, makes it more profitable for him to continue production through periods of depression as through periods of prosperity.

The prices of agricultural products, also, bear no definite relation to the cycle which may happen to be current, because the prices of our major cash crops are determined in international markets. When, as is now the case, business improvement in the United States has progressed much more rapidly than elsewhere in the world, agricultural prices fail to follow the domestic

upward price swing. The general level of prices has advanced something over 10 per cent. in the last year, but both wheat and hogs—two of the country's main cash crops—are considerably below last year's level, while the high price of cotton is due to a short crop caused, not by human volition, but by Providence and the boll-weevil.

### VOLUME OF MANUFACTURE VARIES LITTLE

Manufacture for the most part is fairly readily adjustable to changes in business conditions, because a reduction in production may usually be made to afford a nearly corresponding cut in costs. However, the common motion as to the actual extent of variation in physical volume of manufacture, between periods prosperous and depressed, is probably greatly exaggerated.

Prices are much more sensitive to business conditions and move through greater ranges, though even here the movement is not simple. We have already seen that the prices of agricultural products may or may not move with the general price trend, according as the movement in question is local or international in character. But generally speaking wholesale prices fluctuate through wide ranges, as business is good or bad and retail prices fluctuate similarly, though through a much narrower range. Wages—the price of labor—also vary in harmony with the state of prosperity, though usually with a lag when the general price drift is upward, and with considerable resistance when it is downward.

### ONE MAN'S PRICE IS ANOTHER MAN'S COST

What is one man's price is another man's cost, and it is in the interplay of prices and costs and particularly in the resultant profit or lack of it that the real crux of the business cycle lies. When we speak of good years or bad years it is not really the physical volume of trade that we have in mind. It is the profits.

Even here there is not the regular wave-like progression that the term cycle seems to picture. All businesses do not make profits nor incur losses at the same time. The case of public utilities and other enterprises of like nature, whose selling prices are relatively fixed but whose costs are not, is of course a classic example. All through industry, however, there are concerns which cannot afford in prosperous times to follow the market up for their labor and materials. The very existence of general prosperity thus creates elements of weakness in the industrial organization.

I have gone at some length into this matter because it seems to me of some importance to avoid the general impression that the ebb and flow of business, prices, and profits is a movement regular throughout the business community. It is because, at any given mo-

ment, the situation is so mixed, and the interests of numbers of producers and traders are actually so opposed, that it is difficult to determine what the next move will be, or to develop really practicable means of control.

The causes of alternating periods of prosperity and depression lie fundamentally in the difficulties of accurately adjusting production to consumption. Our modern system of highly specialized production, where the majority of producers are far removed from contact with the actual consumers of their output, and where goods must be produced months in advance of their final sale, makes it extremely easy to misjudge the market. The difficulty of correctly appraising the situation is increased by the influence of crowd psychology, which tends to emphasize and make universal throughout the community alternate moods of hopefulness and depression.

Such difficulties result in variations of the volume of output above and below the actual rate of consumption. Good business creates an attitude of hopefulness, and stimulates output beyond requirements. Then as stocks accumulate and must be liquidated, production drops below consumption until a renewal demand is felt. Price fluctuations are even more marked. These variations find ultimate expression in profits. A period of prosperity begins with a relatively wide margin between costs and the values realizable from goods produced, but as prosperity develops commodities and labor are bid up, until as production overtakes and passes consumption, the level at which goods can be produced approaches or passes that at which they can finally be moved into actual consumption.

#### *CREDIT, THE SERVANT, NOT THE MASTER*

So far I have said little as to the part which credit plays in this flow and ebb of prices and profits, because it seems to me that credit is really the servant and not the master of trade and business. It may be used either to minimize or to exaggerate the effects of the imperfect adjustments of trade and industry, but I do not believe that it is in itself the cause of the cycles of prosperity and depression. Men borrow money because through credit so available they can carry out transactions that they believe will yield profits. They may be mistaken, but it is hardly logical to blame their mistakes on the availability of credit. Even if they were saved from their mistakes, either because no credit could be had at all, or because those in control of it exercised superior judgment, the situation would not be one whit altered. It is the degree of accuracy with which the collective business judgment estimates a given situation, that determines the outcome of enterprise. The fundamental characteristic of any well organized credit system is that credit shall always be available for sound business enterprises.

At the same time the importance of credit and the responsibilities of those in control of its use, cannot be minimized.

The vital relationship of credit to trade and industry lies simply in this—that through its instrumentality a volume of current transactions many times that which would be possible on the basis of accumulated capital resources alone, is being carried forward to completion. Credit possesses this power because through it the current operations

of production and trade are made, in effect, self-financing—that is, costs of manufacture and trade are met by anticipating future income from the sale of commodities produced. It is credit that bridges the gap between the costs incurred and the income eventually realized, in all the current operations of

fair to consider credit expansion used to maintain production at higher than consumption levels, inflationary in its effects? I have already pointed out that the basic cause of business cycles lies in that misjudgment of the market which results in production beyond current consumption. If credit control is to minimize these maladjustments, some point, prior to production of capacity, will have to be set as the limit for credit expansion. This point is not clearly marked. It is not hard to see after the event, but at any given moment the critical point can be distinguished only by the most careful watchfulness of the business and industrial situation.

What are the means by which the supply of credit is kept in harmony with business needs for it? In the old "normal" days, when credit throughout the world rested on a gold basis and there was a free international market for gold, there was an almost automatic regulation of credit, which within rough limits, kept it in adjustment to actual requirements. The inflationary use of credit in any country, with the bidding up of prices above world levels, implied a corresponding undervaluation of gold. Gold accordingly flowed to other markets where it was valued more highly, and the reduction in the gold base forced a reduction in the over-expanded superstructure of credit. Correspondingly, when credit expansion was justified by business requirements by bidding for gold in the international market a safe basis for further credit expansion could readily be secured. The great advantage of this system was its practically automatic character. At best, however, it was a rough method of credit regulation which did not prevent alternate periods of boom and severe depression.

This automatic method of control through gold movements is now, of course, practically out of commission. There is no longer a free world gold market. Practically all of the great commercial nations, other than the United States, are off the gold basis and the majority of them may be so for years to come. In the light of this situation, what methods of regulation are possible?

#### *SHALL WE SET ASIDE SOME OF OUR GOLD?*

One suggestion has been that we earmark—set aside—a certain proportion of the country's gold holdings as not to be used as a basis for credit—and then proceed with the balance just as we used to. If this plan could be adopted, it would have the advantage of preventing credit inflation on the basis of the excess of gold so set aside. But obviously it would not provide a means for adjusting to varying requirements, because the free international gold market, which was the foundation of the old automatic system, is still nonexistent.

A second line of proposals for controlling credit is through regulation of the interest rate. Under ordinary circumstances, interest rates rise and fall with the market demand for credit. In depression, business being slack and demands for credit small, interest rates are low, but as business improves and demand for credit increases, rates rise to higher and higher levels. This is effective in two ways—first, high money rates are a sure warning of increasing credit strain; and second, the increasing cost of money operates like the increas-

(Continued on Page 23)



A. S. MAXWELL

commerce and industry. Clearly, then, the availability of credit directly influences either the volume of current transactions, or the price levels at which they may be conducted, or both.

Since the supply of credit cannot be fixed, but must be freely adjustable, some method of control must be effective to keep the volume of credit in harmony with legitimate requirements. It is perfectly obvious that if not so controlled credit extension can go beyond these requirements. It happened so recently as 1920. Now what, first of all, marks the point at which credit adjustment goes beyond legitimate extension and becomes over-expansion and inflation? A common answer is that so long as further extensions of credit make possible a further increase in actual physical production, they finance legitimate requirements. Obviously, when the country's labor and capital resources are fully, or even fairly well, employed, further additions to the credit supply simply enable one manufacturer or trader to bid against another for labor, for materials and goods, raising costs far beyond the returns which can be realized. That was the case in 1920, when credit extension added practically nothing to the actual volume of output. It is certainly clear that further expansion of credit after the physical productive plant of the country is fully engaged is inflation.

It seems to me, however, that we cannot rely entirely on full employment or productive capacity as marking the dividing line between legitimate extension, and over-expansion; certainly not if we hope to use credit control as a means of minimizing too-violent fluctuations between prosperity and depression. Goods are produced to be consumed. It may be entirely possible for production to run beyond actual consumption, resulting in accumulation of stock, long before the productive plant of the country is at capacity. Is it not

## Get the Farmer Out of Debt

(Continued from page 9)

in Washington, when they don't know a cow from a goat.

But seriously, gentlemen. I trust that we have provided ample facilities for a long time to come, credit facilities, for the agricultural interests of this country. And I trust that when there is a restoration to normal times, that this interest may reap its just reward. There can be no question of the fact that the trade debacle of 1920 hit the American farmer harder than any other class of people, but it was not due to a lack of credit facilities. It was due to the fact that the farmer, unlike other interests, was not organized. The farmers had not their co-operative associations, they were subject to the acquisitiveness, to the actual greed frequently, of the man at the other end of the transaction—the middle man—and particularly the speculative interests of the country. But now that they are being educated up to the necessity of organization,—not organization that will dominate, like some organizations in the country, setting out to demand their own rights and winding up by wanting everybody else's rights,—but an intelligent, co-operative organization that will afford orderly marketing of farm products and a just remuneration for farm activities.

### CONTENTMENT AHEAD FOR FARMER

Now that that System has been invoked, I predict that in a few years the agricultural interests of America are going to enjoy an unprecedented prosperity and we shall have contentment in the place of complaint, and joy instead of whining.

I might in detail expound these various measures of agricultural credits; but I imagine that men of your intelligence have kept up with these matters, and it would be a waste of time. After all, maybe through bias, maybe through partiality for my own child, I think in the last analysis the great credit system of this country is the Federal Reserve System, composed of all the national banks and a large proportion of the state banks of the country.

And today, with its reserves approximating eighty per cent, I see no reason why the Federal Reserve Banking System cannot and will not respond to every credit demand that may be made upon it. The System came into being at a time, and functioned through a period, where every conceivable demand was made upon its resources, and it responded in a way that not only saved America, but saved our Allies abroad and won for us a war that threatened our civilization and our liberty.

Oh, but, they say, the Federal Reserve Board and Banks deflated the farmer. Well, the man who makes that statement is either ignorant or worse. It was accurately computed that in 1920 under provision 13 of the Federal Reserve Act, (to say nothing of the mortgage provision of that Act) the twelve Federal Reserve Banks of this country rediscounted paper representing farming produce to the extent of nearly two billions of dollars. And that amount doesn't comprehend the billions of dollars of loans made by member banks and non-member banks that never found their way to the rediscount counter of the Federal Reserve Banks, but were

made in the conscious knowledge of the fact that if they needed assistance, these member and non-member banks, they could get it at this great reservoir of supply.

And did they get it? Why I have heard public men on the floor of Congress assail the Federal Reserve Banking System and the Federal Reserve Board for its administration, who were so ignorant of the facts of the case, (and imputing to them ignorance is charity) that they did not know that every single solitary member bank of the System, in its own state, had exceeded its basic line from one hundred to seventeen hundred per cent.

There is one nearby state whose public men have berated the Federal Reserve System, and I have on my desk in Washington a detailed statement of the borrowings of the banks of that state; and some of them that were entitled to a bank line credit of \$125,000 had borrowed as much as \$3,000,000 at the counter of the Federal Reserve banks. There is scarcely a bank within the confines of that state that has not borrowed at the Federal Reserve Bank all the way from one hundred to seventeen hundred per cent. The basic line to which that state was entitled, of the funds of the Federal Reserve System, was \$11,000,000. The total borrowings in rediscounts at the Federal Reserve Bank at Richmond, were \$27,000,000.

And yet the representatives of that state in Congress were maligning the Federal Reserve System and bitterly assailing it for not doing its duty and not loaning enough money!

I came across an exceedingly singular circumstance not long ago. A typical agitator, a high cockalorum in the farm organizations of the country, wrote to quite a number of Southern Senators a most insistent letter to go down to the Federal Reserve Board and insist upon a further reduction of the rediscount rate, which was then four and one-half per cent, in order that greater aid might be extended to the suffering farmers for whom his heart did so terribly bleed.

I requested the Secretary of the Federal Reserve Board to ascertain the total discount activites of this man's bank, because he was president of a bank in a nearby state, and to let me know how much he had rediscounted and at what rate of interest he was loaning money to the suffering farmers of his community. He had rediscounted at the Federal Reserve Bank of Richmond to the extent of \$384,000, every dollar of which he had gotten at a rediscount rate of four and one-half per cent, and for every dollar of which he charged the farmers of his community the limit of the law, which was eight per cent!

That is the way the farmer gets fooled. I have no doubt on earth that this fellow told them that he couldn't let them have money at less than eight per cent, because this terrible Federal Reserve Board in Washington, and the Federal Reserve Bank at Richmond, kept up its rediscount rate.

Why my friends, the margin between four and a half per cent, and eight per cent, ought to be enough to satisfy the acquisitiveness—it ought to be enough to satisfy the greed—of any decent man. And yet, that fellow makes the farmers believe that he is a knight errant in their behalf, that the Federal Reserve System is to blame for all theirills. The System is to blame for all their ills.

### SUPREME COURT DID NOT CRITICIZE ATLANTA FEDERAL RESERVE BANK

I have heard United States Senators stand in their places and charge that the Supreme Court of the United States condemned and criticised the Federal Reserve Bank of Atlanta. Now I don't say that that was a deliberate misrepresentation, because deliberation implies the power to lie. But nevertheless, it was a cruel and wicked misrepresentation—one among many.

How did they reach the conclusion? They adopted the statement of a mendacious publication in this country that has printed that falsehood as many times as I am years old—and that is all too many. And they arrived at the conclusion in this way: Mr. Justice Holmes, in delivering the decision of the Supreme Court in the Atlanta Bank case, cited the allegations of the plaintiffs in the case, who said that the Atlanta Bank was in the habit of accumulating a great number of checks and presenting them over the counter for cash at one time in order to compel the bank to carry a larger reserve, in order to disturb the operations of the bank, and to embarrass it, and to break it if need be, in order to force it into the par system.

Mr. Justice Holmes didn't make the statement himself. He simply cited the allegations of the bill—what the plaintiff said; and concluded that if what the plaintiff said was true, then they had a case in equity and the matter was remanded to the Federal Court of this district for re-trial and review. But this publication and these Congressmen do not say that Mr. Justice Holmes simply cited the allegations of the plaintiffs to the suit, they make Mr. Justice Holmes responsible for the allegations himself, and reach the conclusion that the Supreme Court of the United States condemned the Federal Reserve Bank of Atlanta.

Well, what happened? The court remanded the case. It was tried on its merits here in Atlanta. It was decided in favor of the Atlanta Federal Reserve Bank, the court holding that these allegations were untrue and no evidence was presented to support their merit. It was appealed to the Circuit Federal Court, and the Circuit Court sustained the lower court. It was appealed to the United States Supreme Court and the day before yesterday the United States Supreme Court confirmed the decisions of these lower courts, instead of condemning the Atlanta Bank. It vindicated it and justified it and said it had done none of these things which had been charged against its administration.

### A CRITIC WITH UNCLEAN HANDS

Not long ago, a Congressman presented a letter from a member bank of the System, a large national bank, without any name attached—and I despise things anonymous—and it was printed in the record. It was a letter in response to a civil invitation to this banker, should he come to Atlanta, to visit the Federal Reserve Bank of Atlanta and get better acquainted with its officers. The response was of a churlish nature. He said he didn't want to have anything to do with the officers of the Federal Reserve Bank of Atlanta; that their treatment of his bank was of such an outrageous nature that

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# The Saving of Men and Money

Common Sense Treatment of Insolvent Estates

By Solon J. Carter

Indianapolis



In this era of preventive treatment nothing but the "accident" cases should ever get to the "post mortem stage."

FOR four years, while on the bench in Marion County, Indiana, I handled at least 50 per cent of all of the insolvent estates of that community and incidentally I found out a lot of things about credit men. It was not at all unusual, when an insolvent estate was brought into court, to find that within a few days before some alleged credit manager had permitted his company to ship thousands of dollars' worth of goods to that insolvent concern.

Now that was not exceptional. I found that extensions for credit were being granted by a great many so-called credit men as a matter of course and without inquiry, often in the face of constantly decreasing assets and increasing liabilities. As I told the credit men up in Indiana, (and I'll wager they are no worse there than in other states), I came to believe that a great many so-called credit men had a motto like this: "If a man is in failing circumstances and owes you money and requests an extension, grant it by all means, if he will order more goods."

I also found that it was perfectly possible to take an insolvent business, lay it out on a stretcher in my court and perform a post mortem, make an examination into the details of that business and to ascertain, nine times out of ten, what broke it; and I found it was possible where a concern was solvent yet failing, by the same kind of analysis, to diagnose its illness and determine what was the matter with it and then prescribe the proper treatment to save it. Yet nine times out of ten, credit men were not so organized or did not appreciate the probability of making such a diagnosis. The result was that solvent concerns were brought in, in a failing condition, with a curable disease no one had taken

the opportunity to locate and no one was prescribing for.

Then I found another thing: The minute a concern was in a failing condition that credit men throughout the country immediately sent out claims to lawyers with instructions to sue or some other instructions and that those insolvents were brought into court prematurely, brought in in such a way that there was nothing left for the court to do but to kill them and bury them. I found out that the credit men throughout the country were sending their claims through various channels to this bankruptcy agency or lawyer. I spent hours listening to bitter battles over the control of an estate with no discussion at all on what ought to be done for the creditors in the handling of that estate.

You have heard things said about bankruptcy rates. I am a lawyer. I hold no brief for some of my profession; but, gentlemen, don't lay it all on the lawyers. In the past, credit men have handled their insolvent cases in court without any rhyme or reason, organization or unity of purpose; and the lawyers who comprise the bankruptcy rings have simply taken advantage of that situation.

#### MUST KNOW TECHNIQUE OF PROFESSION

For a credit man to fail to recognize the "Stop, Look and Listen" sign of a request for extension is not good common sense, because a well-trained credit man will stop, he will look and listen with his senses alert. The first thing in the common sense handling of these estates, is therefore, an absolute requirement of a knowledge of the technique of your profession. The day has passed when the old faithful bookkeeper, who makes the pretty column of figures, who keeps an accurate record,

who writes a good hand and is honest and gets \$150 a month, can be a successful credit man.—when the old broken down salesman, who is a pensioner of the firm, can successfully cope with the credit problem.

In the common sense handling of insolvent estates, the first thing we must have is a credit man who is well founded in the technique of his own profession.

Mr. Tregoe has told me that he has known of cases where expert credit men have permitted their concerns to ship goods to insolvents. That is not always because the man did not know his business. That is because of circumstances. The head of the firm was so eager to sell the bill that he induced the credit manager to take a financial statement at par which had been prepared by the debtor.

No expert credit man would make such a mistake if he had availed himself of the ledger experiences of all other creditors of that particular debtor.

We have not only the necessity for trained men, but we have the necessity for an organization that will enable us to get the accurate data.

If I were ill and my family sent a physician and if he should come in and not bother about finding out the history of my illness, not care about locating even the seat of my trouble, but simply reached down into his little black bag and pulled out a remedy and prescribed it for me and insisted on my taking it, we would feel that doctor ought to be hanged. But supposing the family had not called in one doctor but had called in four or five doctors and each of them had paraded through the room and without any consultation with each other or without attempting to find out

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# The Credoscope

By J. H. TREGOE

## OBSERVATIONS ON TRADE AND CREDIT CONDITIONS

In order that the readers of The Credit Monthly may have the Summary of Business Conditions as seen by the fourteen trade groups at the Atlanta Convention, some of the significant features of that summary are being reprinted even though a month and a half has elapsed since the summary was made. At the conclusion of the summary we have added a few comments and qualifications in order to bring the summary up-to-date.

"Boots and shoes, clothing, caps and allied lines, drugs, chemicals and allied lines, dry goods, notions and allied lines, furniture, groceries, provisions and allied lines, implements, vehicles and allied lines, iron and steel, jewelry, newspapers, paints and varnish, paper and supplies and allied lines comprise the groups questioned."

"All the groups reported not only an improvement in collections and sales for May as compared with April, 1923, but excellent prospects for business in the next three months and in the next six months."

"Every agricultural house reported better collections and larger sales as compared with last year—an index of the increased buying power of the farm over a year ago. The representatives of these houses foresee for the most part a continuance of present conditions, with only 30 per cent expecting an improvement in the next six months. They still stress as an obstacle to an improvement in conditions the spread between the prices of farm products and the prices of other products."

"The groups connected with the construction industry, iron and steel, hardware, electrical and allied lines and furniture, all reported, marked increases in collection and sales for May, 1921, and for May, 1923, as compared with April, 1923."

"The high and mounting prices in construction make the representatives of these groups somewhat less optimistic as to the future than the representatives of other groups."

"Among the obstacles to a continuance of prosperity mentioned by the iron and steel group are high wages, labor shortage, increase in labor turnover, and the slowing up of the construction industry."

"The vast majority of the credit men foresee no obstacles to a continuance of prosperity, however."

"A small minority of the credit men are more conservative in their forecasts and mention the following obstacles to continued prosperity according to the summary:

"The big gap between price of farm products and of other products."

"High and rising construction costs."

"Unseasonable weather that may result in short crops."

The business man at the present time sees several interesting new factors in the business situation. For weeks and months the general trend of commodity prices has been downward. There has been a perceptible slowing up in many important manufacturing lines. Some of it is undoubtedly seasonal, but part of it is due to the catching up on back

orders with no large advance orders. Retail trade, on the other hand, has held up surprisingly well and the total volume of distribution is still reaching record proportions. Credit is fundamentally sound. Retailers are not piling up stocks and manufacturers, though they are catching up with orders, have been careful not to speculate in futures.

The largest single factor causing concern in the present situation is expressed in the terms of "dollar wheat." In more general terms that means a larger spread between the prices of the commodities which the farmer sells and the prices of those which he buys. The continued unsettlement in the European situation, with a resultant reduction in consumption and buying power of American food products—joined with the gradual agricultural recovery in rural Europe, is having its definite effect upon the prices which the American farmer receives for his products. Until the European problem is on the way to solution, it is to be expected that we will suffer in some degree from the reduced buying power of our largest market. We can but express our fervent hope that the negotiations for the settlement that are now once more being opened will meet with success and thus remove from Europe and from ourselves the uncertainty that lurks behind the continued unsettlement of Central Europe. Conditions at home are basically sound but caution and discrimination in credits should be the watch-word for the next few months.

### THE DAYS OF THE EASY MARK

Human nature has not changed: The speculative instinct will lead to many queer situations unless common sense and good judgment control.

Promoters of mere paper enterprises and bucket-shops have had a rich harvest in recent months, and for the sole reason that many a good man or good woman cannot resist the temptation of pursuing any course that might make them rich over-night. The easy marks in our society have made possible all kinds of dubious and on close analysis perfectly ludicrous schemes.

It seems strange that human reason should not always assert itself and say that never since the beginning of time has one and one made more than two.

Aside from the indulgence of the speculative instinct in the making of investments and the buying of worthless securities we learn that schemes have been devised to attract retail merchants into believing that they can get capital and can finance their requirements in an easier way than selling commodities for cash and borrowing legitimately of their banks.

The continual spread of facilities for financing luxuries bought on long deferred terms and the secret sale and assignment of receivables in the commercial field are undoubtedly the forebears of the newly-arrived methods intended to beguile the retail merchant. The retailer is being approached with offers of financial assistance on various kinds of plans, which, under close scrutiny, reveal clearly that the cost of the service would eat him out of house and home.

If this thing continues, we shall have to place at the cross-roads of commerce the sign, "Stop, look and listen." In the

line of business service, which we are emphasizing now with all our powers, the retail merchants through wholesale and banking credit departments should be advised to take on no scheme of finance without consultation with the merchant's bank or his largest creditors. This procedure may save many a deserving merchant who will fall for the pot of gold at the foot of the rainbow and find himself chained hand and foot unless some good samaritan points out the dangers and saves him from the toils.

Let us be up and doing in this worthy cause!

### ECONOMIC LAWS CAN BE PERVERTED BUT NOT SUPPRESSED

Within my recollection no political instance stands out so prominently as the joining of the Oklahoma and Indian Territories and their acceptance as a single state. As a modern venture, some of the state proponents felt it was an opportunity to embody their ideas into its constitution and original laws. Of these ideas none was regarded with deeper interest and concern than the guarantee of bank deposits.

The rapid development of Oklahoma and its capital city has been marvelous. One cannot tread the thoroughfares of Oklahoma City without feeling that its splendid business and buildings could not have come within a generation. The dream of some of the founders of this State that the guarantee of bank deposits without certain strong restrictions would produce protection rather than distress exemplifies the danger of allowing sentiment to supplant common sense.

The guarantee plan of Oklahoma has undoubtedly encouraged bad banking and to escape the assessments that may be made on State banking institutions—to provide sums sufficient to repay depositors of failed institutions—has led the more active and the best governed banks of the State to seek National charters. For example, there were recently no State banks worth speaking of in Oklahoma City.

Insurance against any risk when unguarded by proper restrictions will encourage carelessness. Banking is a business of a fiduciary type and requires able and honest administration. The public does not recognize generally the brains and the conscience needed for the successful conduct of a bank. A guarantee law could not supply the brains needed for safe banking in Oklahoma, and thus the State banks have contributed four millions to the guarantee fund; at present the liquidated and unpaid claims against the fund amount to three millions, and the unliquidated claims amount to two million five hundred thousand.

There is no possible chance of securing by assessments a sum sufficient to hold the depositor safe, and whatever is obtainable will have to be pro-rated among the claimants.

The curtain on this uneconomic chapter in Oklahoma's history is now rung down by a repeal of the guarantee law, a repeal that abolishes not only the creation of a fund for guaranteeing deposits, but the law authorizing emergency assessments and the issuance of certificates of guarantee.

We do well to recognize that economic laws may be perverted but never suppressed. Where skill and honesty are the conditions of success, there is nothing in the world that will fill their places.

### THE PAR COLLECTION PLAN

The par collection plan of the Federal Reserve System has had the consistent and fearless support of the National Association of Credit Men. We believe in it not merely for economy's sake, but for simplification in the handling of checks—which has become our real currency.

No change from a long-established plan in American political, social and commercial affairs has occurred without considerable resistance. In the heart of the Nation, however, there has always been a sound judgment that has gradually won its way. I am confident that this will be the case with par collections.

It is only natural for many of our commercial banking institutions, though largely of the rural type, to resist the invasion of the exchange fee by the par collection plan, for in the charging of exchange, many of these institutions have derived their largest profit.

Recognizing that differences of views naturally exist on this subject, yet in the spirit of perfect fairness and with nothing in view but the welfare and development of our commerce, we declare that there seems to be no sound argument against the par collection plan for the circulation and payment of checks.

Two noteworthy decisions, recently handed down in the Supreme Court of the United States, should have careful attention. The opinions were delivered by Justice Brandeis.

In the case of the American Bank & Trust Co. et al., Appellants, vs. the Federal Reserve Bank of Atlanta et. al., the Court decided unanimously that the Federal Reserve Bank of Atlanta was not guilty of wrongful intent and coercion in carrying on the par collection plan according to a reasonable construction of the Federal Reserve Act toward amendments. The par collection plan in this decision was undoubtedly held to be constitutional, and the findings of the lower courts were affirmed.

In the second decision, which was the case of the Farmers and Merchants Bank of Monroe, North Carolina, et al., Petitioners, vs. Federal Reserve Bank of Richmond, Virginia, two of the Justices dissented. The State of North Carolina in 1921 enacted a Law under the title of "An Act to Promote the Solvency of State Banks." This Law provided that the banks and trust companies chartered by North Carolina shall, unless specified on the face thereof to the contrary by the maker or makers thereof, pay checks at their option by drawing exchange on their reserve deposits and irrespective of the medium through which the check was presented.

Another section of the Law authorized banking institutions chartered by the State to charge a fee not in excess of one-eighth of one per cent. on remittances covering checks, the minimum fee on any remittance to be ten cents.

The Supreme Court of North Carolina had held this Act to be unconstitutional, on appeal from a decision of a lower court. The Supreme Court of the United States reversed the decision of the Supreme Court of North Carolina and held that the Act was not unconstitutional.

We would seemingly, therefore, have a conflict of jurisdictions. This is not so, however, and it will be perfectly clear on a careful study of the two decisions. The one sustains the constitutionality of the par collection plan, the other sustains the constitutionality of the State statute.

The Federal Reserve Banks will not be able to accept checks on drawees that will not pay the face of the checks. The Federal Reserve Banks are expressly forbidden by statute to pay exchanges. Sustaining the constitutionality of the North Carolina statute will naturally limit the usefulness of the Federal Reserve Banks in the few States where such Acts have been adopted. The result of this will be to place a burden on the drawees of checks upon institutions operating within these statutes. I firmly believe that endeavoring to limit the operations of the par collection plan by State statutes is exceedingly unwise and savor of nullification even though the statutes are held to be constitutional.

The par collection plan is saving the Nation's business approximately 190 millions each year and we cannot find that the plan is disadvantageous to the banking institutions which are the members or to the non-member banks who have agreed to the plan. A sentiment must be aroused against the spread of State legislation that would tend to complicate the handling of checks and upon mature deliberation it should be apparent to every one that even though in instances some sacrifices are entailed, yet, on the whole, our progress is better assured when checks circulate freely, and are payable at par by the depositories upon which they are drawn.

## Opening the Purse Strings

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### VALUE OF PROMPTNESS AND REGULARITY

In all these cases be prompt with the collection letters. If regularly every ten days the customer receives one of the above, he will soon be educated.

The above formula is only a basis, not to be followed blindly. Every case has its own peculiarities and the credit manager who resorts chiefly to form letters will not have the success of one who dictates after a well thought out plan of attack. Therein lies the genius of business, there is the chance for the artist.

It is equally foolish to attempt to copy another man's letters or exact methods for your trade. Be original. Human nature is so diversified that one man's meat is another man's poison. Roll your own. And even then you will often experience frames of mind diametrically opposed to the ideas you present.

This is well illustrated in a letter we sent out to a peculiar class of merchants in our particular trade. The letter is what might be termed "journalistic stuff" and such material should be handled with great caution. There are a thousand men who would be provoked or injured by anything other than the simple dignity of a commonplace letter. But there are a dozen scattered here and there who need a picture strong enough and unusual enough to pull them out of the daily rut. To that class we addressed the following:

Mr. Smith,  
Four Corners, New York.

Dear Sir:—Bill Jones was a store-keeper. Every day a half dozen old timers gathered around the cracker barrel and told Bill how to run his business.

One day a bright, alert, young man came in, lingered a moment to hear the great wisdom of the wise guys. Then he said:

"Mr. Brown, what is your idea of running a successful business?"

Mr. Brown looked at the "stove gang" for a minute and then snapped out:

"Buy Wisely, PAY PROMPTLY, Sell Prudently, Collect Promptly."

Then he went out.

To-day Bill and his friends are gone, so is the store. But in one of the largest towns in (State where customer lives) Jim Brown has one of the biggest retail business houses in the country.

Remember Jim Brown's advice: "PAY PROMPTLY."

Pin your check for \$..... to this letter—and prosper.

Among the chosen few, this fiction met with unusual success, but you can never tell,—for one merchant attached his check to the letter and at the bottom wrote this pretty sarcasm: "Ain't that grand—by gosh!!"

The same mail brought another check with this reply.

Gentlemen:—Enclosed find check for \$18.25 in payment of invoice of November 31, for \$18.25. I appreciate your courteous letter of February 19th reminding me of this unpaid bill which I had overlooked.

Such letters are worth writing and very much worth reading.

Another example of this type covers a case which had exasperated us to the point of bringing suit. But it was an invoice of only \$13.50, hardly worth a lawyer's attention. As a final resort we tried the following:

Mr. John Jones, Squaretown, N. Y.  
Dear Sir:—There are three kinds of men in this world. The "DO" man, the "WILL DO" man, and the "WON'T DO" man.

The "DO" man is a good buyer, and pays his bills promptly. His store is the pride of the community. Men point to him as a success.

The "WILL DO" man is a procrastinator. His bills are paid when overdue. His store is more or less shoddy. He is just a near success, lacks punch, pep and system.

The "WON'T DO" man is a business parasite. He does not pay until the sheriff comes. Business is infinitely better off without him. He soon falls behind,—a failure.

We picked you as a "DO" man. Are we right? Pin your check for \$..... to this letter and prove that the pride in yourself and your business is the greatest thing in the world.

A check for \$13.00 was promptly received and attached to it was a little green ticket.

#### RAFFEL TICKET No. 31

For One Cow

At John Jones' Store

Feb. 21, 1923

50c.....50c

That is what I call the retort courteous.

#### TWO LETTERS WORTH ANALYZING

I want to review two letters which may be food for thought and give plenty of opportunity for an argument.

An ambitious young man was attracted to a correspondence course on Business Administration by the assurance that the application of fifteen minutes a day would lead him to fame and fortune.

The first payments were made with ease. And then a lagging interest found ready excuse to hold tight the purse strings. Several collection letters from the Institute of Business Administration followed. And finally one which got under the young man's skin. In a vainglorious spirit he retorted as follows:

Gentlemen:—I am replying to your letter of June 26th. Yes, there does seem to be a misunderstanding. I have examined your course, and find it of no particular value. It lacks completely that personal touch by which the Blank Institute follows up the student so closely.

I am well acquainted with correspondence courses, as I have devoted a good many years of my life to study, both in college, and outside. Your course is the weakest I have ever seen.

No course can be of real value, except the Institute hammer at the student and virtually force him to pass a written test every week. That is the reason why other correspondence courses are so successful; the personal touch, the constant encouragement. Your course is very mediocre in many respects, and for this reason it would be mutually more satisfactory if you will allow me to return it and mail your check to refund our initial payment.

Yours very truly,

This letter was both sarcastic and egotistical. But at the same time merited an artistic reply in the way of a combination sales and collection letter. But the reply, though coming from reputed experts, was neither tactful nor graceful. It ran as follows:

#### LETTER No. 1

Dear Mr. Jones:—Referring to your communication of June 30th, it is fortunate for the Institute that the others who have taken our course, most of whom we presume have as good a preliminary education as yourself, have a decidedly different opinion of our work than you seem to have.

The Institute has had the strongest sort of letters of endorsement from men who have taken the pains to make a careful study of the various subjects. We are also grateful for the fact that most of the men who take a Business Administration Course do not require and would not care to have any one force them to pass written tests. No man who sincerely wants an education has to be hammered into doing his work.

As to the close personal touch which you claim for another Institution the writer happens to know a great deal concerning this other course and consequently fails to be impressed with the "close personal touch."

The student of the Institute is at liberty to send in answers to all the questions on which he may be in doubt, or if he prefers, to every ques-

tion in the Quiz Manual. The Final Problems, which are sent to the student at the completion of the course, are also subject to review and thorough handling. We know, of course, that you have not given the training the proper study because you have had it too short a time to know much about it.

It is the inflexible rule of this and every other similar institution not to permit the cancellation of contracts. Our representative has been paid for his work and we have been to considerable expense in the matter and we will therefore, request that you send us a remittance covering the amount due on the contract made by you.

We know that as you go further into the work you will be willing to concur in the very favorable opinion which our students have so often expressed to us.

This letter came to my attention and with it the suggestion that I rewrite it, attempting to apply those principles we have been discussing. The letter was remodeled as follows:

#### LETTER No. 2

Dear Mr. Jones:—Your letter of June 30th was exactly the kind of letter we like to receive; straight from the shoulder, honest criticism which frankly gives us an opportunity to see the other side.

Of course, we do not get many such letters, for the morning mail is usually full of favorable opinions from hundreds of highly educated men who have taken and are taking our course with great benefit to themselves.

Yes, it is true that some of the other correspondence courses have what you choose to call a "close personal touch." But many of the courses are intended for men not as well trained or educated as yourself.

Ours is a condensed, highly specialized Administration Course for men just like yourself; who get down to facts and need no driving as would a grammar school boy. The very fact that you have taken so many of the other courses would lead us to believe that you are now ready to undertake just such a schedule as ours.

Your years of education and training will help you to appreciate that close application is the price of success. So, if you will but follow those rules in adapting yourself to a well-rounded business career, our course will more and more appeal to you, as study and concentration bring forward its pertinent values.

Feel at liberty to submit any of your problems to us. That is one of the chief and most valuable features of our institution.

Your consideration of these few remarks we are sure will encourage you to go forward. And hence we think it would hardly be necessary to take up more of your time by detail about our inflexible rule, which prevents the cancellation of contracts.

The sincerity of our mutual position places us where we are certain your check will be sent by return mail, and we thank you.

Let us briefly analyze each letter. We have an opportunity to combine a sales letter and a collection letter. The task is not an easy one. We must resell the young man and at the same time close the sale by obtaining a settlement.

Letter No. 1 does not establish an immediate point of contact. The first paragraph is essentially argumentative and consequently tends to arouse anger.

The second paragraph emphasizes the "We" too much. The vital point should be to create in Mr. Jones a self interest. There is also a statement of fact which does not "persuade to reason."

The third paragraph tends to open an argument; the worst thing obtained from the sales point-of-view. The fourth paragraph lacks a proper connective and is so arranged as to be weak for unity and emphasis.

The fifth paragraph is a bold statement of fact opened to argument. It is all "we" and no "you." And the last paragraph, though friendly, fails in emphasis. It could be placed to better advantage at the beginning rather than at the end of the letter.

Now for the rewritten letter, No. 2. The opening tries to establish a point of contact by arousing curiosity and carefully tickling the ego.

The second paragraph charges Mr. Jones with the other fellow's point of

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## The Effect of Credit on Trade and Prices

(Continued from page 17)

ing cost of labor and materials, to decrease the margin of profit realizable on many enterprises, and so tends to cut down the demand for credit.

It is obvious that this rise in interest rates is dependent on a supply of credit limited relatively to the demand for it. Ordinarily in the past, as I just pointed out, we relied on movements in the international gold fund to keep the supply of gold and consequently the potential supply of credit, within reasonable bounds. That check is now inoperative and we have a super-abundance of gold; on what can we now rely for assurance that credit will not be over-extended, or that rising interest rates will provide a check to over-expansion? There are some thirty thousand banks in this country entirely independent of any central control as far as their lending policies are concerned. Moreover, practically every business enterprise in the country in some form or other and to some degree are extending credit to customers. Competitive conditions make it clearly impracticable to depend on co-operative action in raising rates by voluntary agreement among the banks. Even if it were possible, public opinion quite rightly would refuse to sanction any such procedure.

To meet this situation, proposals have been made to use the Federal Reserve discount rate as a central instrument for influencing the market rate and so checking over-expansion. It has, for example, been proposed that the reserve bank's discount rate be raised or lowered more or less automatically in harmony with fluctuations in an index of the movement of production, prices, employment, profits, etc. In this manner, the scheme intends, the difficulty of our abnormal gold base can be avoided, and interest rates be made an effective check.

This method depends at bottom on the ability of the reserve banks' discount rate to control the commercial or market rate of interest. We have not had an actual test of this point yet, for with the exception of a brief period in 1922 when the reserve bank rate was falling less rapidly than the market rate, the rediscount rate has been continuously below the market. But this much seems fairly clear, that the rediscount rate cannot be depended on to prove an effective means of control in such periods as that of the last year. For as a result of the inflow of gold, eight hundred reporting member banks alone have been able to expand their loans and investments by two billion dollars, from  $14\frac{1}{2}$  to  $16\frac{1}{2}$  billions, in little over a year almost without recourse to the facilities of the Federal Reserve banks. If gold were to continue to flow into the United States, moreover, expansion might continue for a considerable period without necessitating any such recourse. Precisely at a time when control is most essential, therefore, such methods as that of control through the rediscount rate are not to be depended on.

### "BLANKET" CREDIT CONTROL NOT PRACTICABLE

Regarding the whole method of control of business movements through the interest rate, there is this to be said—that it is a "blanket" means of control, applying to all with equal force,

regardless of the nature of their operations. Herein lies a serious weakness. Under normal conditions a rise from 5 per cent. to 7 or 8 per cent., might be absolutely prohibitive to the undertaking of many sound enterprises that would yield a narrow margin of profit, but would exercise almost no deterrent influence whatever on the speculator who looks forward to a large return from his operations. It checks first those who may have least need of checking, while the more dangerous elements continue uncontrolled. As a result, the interest rate does not prove effective in preventing business booms and commercial and industrial over-expansion. In, and of itself, it does not promise sufficiently sensitive control to minimize fluctuations of business.

There remains one other type of credit control, which arises out of the individual relations between banks and their customers and between business houses and their customers. This method is purely voluntary; there is nothing automatic or artificial about it; its success depends entirely on the amount of intelligent co-operation which lenders and borrowers are willing to give. The essence of this method of control is careful watchfulness of the actual trend of the business situation, and second, when credit expansion threatens to go too far, voluntary practice of restriction.

Does this sound too Utopian for any practical application? We have had a demonstration of the way in which it can be made to work, within the last year. All are familiar with the course of developments. We had emerged from 1920-1921 with bare shelves. Not enough goods were being produced to meet actual current consumption. Industry soon felt the pressure of this demand. Output was expanded with almost unparalleled rapidity. Unemployment gave place to labor shortage. Bidding up of wages and raw materials began. In fifteen months from January 1922 to March 1923, the wholesale price level rose fifteen per cent. In the corresponding months of 1919-1920 (when inflation was at its worst) the price level rose only seventeen per cent. The labor and plant capacity of the country was nearly full employment, and output in numerous lines was breaking all previous records. Consumption requirements were filled and stocks of goods in distributors' hands restored to normal proportions. At the same time there were possibilities of enormous further credit expansion. Down to March of this year the stage setting seemed perfect for a boom, inflation, and an eventual crash. That boom has not eventuated. Prices have flattened out and production has dropped well below the peak. Manufacturers, distributors and banks all over the country realized the danger in the situation and applied common sense to its correction. The prospect of boom and crash has passed, and in its place, a good volume of business for many months to come seems probable.

### MEMORIES OF 1920

In meeting the situation at the beginning of 1922, we were aided by a vivid recollection of 1920. With time that recollection will fade. I do not care to venture too confident a prediction that, without 1920 in mind, our course would have been the same. At the same time, the events of 1920 have done a great deal to stimulate general interest in finding out what the actual facts of the

situation are and in developing means by which these facts can be made generally known. I do not believe that the business world will ever subside to its former level of cheerful ignorance.

It is only within the past few years that interest has been general enough to support active business research, and we have barely begun to tap the fields of knowledge of business movements which can be developed. A tremendous amount of useful work is being done by private business interests and by banks, by trade and commercial associations, and by research agencies and governmental departments. Being a banker, I am most familiar with the services which banks can render. The American theory of banking is directly opposed to bank intervention in business management. We know that men who give their entire time and the best part of their lives to the development of a particular industry know more about that industry than a banker can hope to know. But a large bank, loaning its funds in many lines and to many concerns in any important line, by very necessity has to acquire a broad general knowledge and a wide viewpoint, that can be of real service and is always freely available to its customers. Any individual enterprise can now keep well informed as to the basic conditions of supply and demand for the raw materials it requires. It can keep fairly well informed as to conditions of supply and demand for its own and for competitive lines of products. Through its contact with its banks and other agencies it can also determine with fair accuracy how the general situation is developing and how its own position relates to that situation.

### FACT FINDING APPRECIATED

I think we may safely assume that the factual background necessary for intelligent control of business is being developed steadily and is already in usable form. There remains the question—will a group strong enough to exert a controlling influence co-operate in its use? I do not wish to minimize the difficulties in the way of such control. There are many thousands of banks; there are hundred of thousands of borrowers from banks; they are not all equally well informed and their individual interests may at times seem to run counter to a policy designed for the general welfare. It is here that credit men, and such an association of credit men as we have here, can exert a profound influence. Men in close touch with the myriad transactions in which credit is actually given and taken are the natural focus for the collection and dissemination of information regarding business developments and for the formulation of sound policies of control in the light of this knowledge. When I had the pleasure of addressing this Association two years ago, I suggested that just as credit men had learned by experience the importance of contingent liabilities, so the essential lesson of 1920 for the credit man is due consideration for what might be termed contingent assets—that is, assets whose value is dependent, to any large degree, on factors outside the normal financial control of the concern itself—and due considerations also for commitments which the concern has made or contemplates making. The making of contracts for either the acceptance or delivery of goods are matters which involve the

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## The Analytical X-Ray and Periscope

(Continued from page 12)

tion when it is too late to rectify the mistake.

All of the tragedy of life is not in dime novels, or on Broadway. Lots of it is in business. One of the headliners now playing at all important business centers is entitled "Preventable Losses" and the leading lady is usually a man—a credit man.

Our Adjustment Bureau at Dallas recently handled in a small Texas City in southern Texas an assignment, and after the assignment had been executed, an involuntary petition in bankruptcy was filed by an industrious bankruptcy shark attorney, who was more concerned with the amount of his fee than with the interest of his client. Although we wrote letters and did everything in our power to stop the creditors who were sure to lose their money from shipping this concern, creditors continued to ship, heedless or ignorant of the fact that they were making an indebtedness that would never be liquidated except in a very small part. The week before the firm was finally thrown into bankruptcy, there was actually shipped over \$1000. of merchandise to this firm, on which creditors will receive about 30 per cent. through the Bankruptcy Court.

Isn't that a business tragedy? It might be called a comedy if it wasn't such a serious matter. Most of these goods were shipped from New York, the enlightened, efficient, business metropolis of the Nation. Why, you ask, did these creditors make these shipments? Either the credit man didn't investigate, or else the firm didn't have a credit man,—thought he was too expensive a proposition.

Investigate the fraudulent failures that have cost you money, and you will observe that in 90 per cent. of the cases, the debtor has made a false and fraudulent financial statement as a basis for credit. Oh! you will say, in such a case he has violated the law. Not so fast, my friend. He may live in a state where the making of a false financial statement is regarded by the legislature as an accomplishment rather than a crime. The National Association of Credit Men is trying to get the false statement law on the statute books of every state in the Union, but it hasn't finished the task yet. It's a big job. If you don't think so, go down to the legislature and try to get them to pass the law, if you haven't had one enacted in your state. There will be some legislators who will want to put you in jail for suggesting such a law rather than the man who defrauds his creditors.

### SPOTTING THE FALSE STATEMENT

Of the fraudulent failures where you have been stung, relying on the false financial statement made either directly to you or to the commercial agencies, in 75 per cent. of the cases you could have conclusively shown to your own satisfaction the falsity of the statement if you had cleared an interchange report through your local credit interchange bureau at the time you received the statement. Try it next time. No credit man, in fairness to his customer, should fail to get a statement from that customer either directly or through the Agency, for that statement is, so to speak, the customers representation of what condition he thinks his business is in, or if he is

insincere, then a representation of what he wants the credit man to believe is the condition of his affairs. The impersonal interchange report silently, efficiently, accurately, and quickly either confirms or denies the customers statement about his financial condition. To the good man, the honest merchant, the truthful customer, it is a recommendation, a commendation, and a delight. To the dishonest, untruthful, careless, or fraudulent debtor it is the handwriting on the wall of his future, calling a halt to business dishonesty, and misrepresentation. Billy Sunday says if the Church is successful, that the dignitary must dig, the steward must stew, and the deacon has got to deak. So it is with business. Waste must be eliminated as much as possible, and the bad debt waste must be reduced if business is to continue healthy. The credit man ought never to have a loss unless he is able to look the president of the firm in the face afterwards and be able to say, "I availed myself of all the information obtainable and took nothing for granted." He can have a clear conscience of duty performed even if his profit and loss account looks unusually healthy.

Those who are familiar with Credit Interchange Bureaus and their operations are sometimes astonished at the failure of the credit man to use the information which is so readily available to him through Interchange Bureau service.

When the railroads of the country were figuring on some appropriate sign to prevent grade crossing accidents, they hit upon the words, "Stop, Look, and Listen." I call to the particular attention of the credit men and credit women the words of that sign.

### 2. THE COLLECTION RADIO

The second tool of the credit man, in order to bring the simile up to date, might be termed the Collection Radio; and from his sending station in the innermost recesses of the credit department, he is commissioned to send out S. O. S. calls for cash. Sometimes it is astonishing to note how many claims were carelessly forwarded by collection managers to either collection agencies or attorneys who make a specialty of throwing all estates into bankruptcy. It is also a frequent occurrence that a credit man will permit his claims to be used in the filing of a petition upon the statement of an attorney that he is being imposed upon, and the credit manager makes no attempt to find out from the nearest Adjustment Bureau of the local Association of Credit Men whether these representations are correct or not. A favorite scheme of these parties,—who think more of their fees than they do of the interests of the creditors they represent,—in case an assignment has been made to an Adjustment Bureau of the Credit Men's Association, is to write the distant creditors and intimate that the home creditors are getting an advantage under the assignment, and that he must put it in bankruptcy to avoid preferences being shown. I have personally seen this happen in various instances.

To show that the attorneys who follow this practice, (and I am glad to say that there are very few of them,) are not sincere in their claim that an advantage has been taken, they never follow up the matter after it goes into bankruptcy, and most frequently do not even appear at the creditors' meet-

ing to examine the bankrupt or the manager of the Adjustment Bureau and endeavor to show that a preference has been shown or was about to be shown. They content themselves with drawing the fee that is allowed them by the Referee in Bankruptcy; and the estate, minus the cost of bankruptcy proceedings, is passed on to the creditor in whose interest ostensibly the bankruptcy proceedings were instituted. It is heart-rending to see how creditors are frequently imposed upon in a matter of this kind. May I beg of you, my fellow credit men, whenever you are solicited by an attorney or a creditor to throw a matter into bankruptcy, remember the sign at the railroad crossing, "Stop, Look, and Listen."

Another favorite stunt of this class of attorneys is in a case, for example, where a fire has happened, and an adjustment of the insurance has been made possibly by an Adjustment Bureau Manager, possibly by an individual trustee. The settlement, in all probability, is a good one. We have frequently seen such cases. The attorney writes to his client, who is relying upon him to state facts about it, declaring that in his judgment a better settlement should have been made, after he knows that the money has already been paid into the hands of the Trustee and that there will be no chance to recover a greater amount and that a petition in bankruptcy ought to be filed in order to recover a greater amount! The attorney knows when he writes this, if he is competent to advise with reference to bankruptcy matters, that, except in a case of fraud, which he has no reason to believe is the case in the majority of such cases, he can not invalidate the settlement, and his only object in advising the bankruptcy petition is to feather his own nest by getting as large a fee as possible. He is benefitting his client in no way whatever. You might say that this is an unusual case, but it isn't. This is happening every day; and the people who are making it possible for it to happen are the credit men—members of this Association.

We hope the time will come when credit men all over the country will awaken to the fact that they are suffering from the result of depending upon irresponsible attorneys of this type and will discontinue patronizing those who mislead for their own benefit. Please do not understand that I criticize attorneys or collection agencies as a class. I am happy to say that in our particular section we have been fairly free from such practices. However, there are a few who handle their business in this way, and unfortunately it seems some of these are the ones who get the largest number of outside claims.

3. THE ADJUSTMENT PULMOTOR

The last tool mentioned of the credit man is the Adjustment pulmotor. We sometimes think that the credit men expect too much of this particular tool, and at other times we are constrained to believe that the credit man does not receive what he should receive from the direction of the Adjustment Bureaus of the National Association of Credit Men. This is due to a number of causes. We have found it to be true in a number of cases that where an Adjustment Bureau was endeavoring to control an estate so that the interests of all the creditors might be protected, that a number of the mem-

bers of the Association have sent their claims to some of the larger creditors who had a selfish interest in looking after their own claim, rather than the claims of all of the creditors, and who used the power given them as a result of receiving claims of creditors direct to further their own interests to the detriment of the creditors whose claims had been sent to them. This is an unusual happening, but the most astonishing thing is that it will happen at all.

The Adjustment Bureaus of the National Association of Credit Men have been organized for the purpose of protecting the interests of all the creditors as distinguished from those of the local creditors, or any particular group of creditors. It would seem that when the Adjustment Bureau is handling the matter, or desires to handle it, that if the members of the Association have the confidence in it to which it is entitled—otherwise it would not be recognized as the official bureau of the Association,—then when a failure happens, these claims should tend to flow to the Adjustment Bureau as naturally as water runs down hill. In some cases, the opposite is true and the Adjustment Bureau Manager finds facing him across the table the claims of a creditor whom he desires to represent voting against him in his endeavor to handle the estate for the best interests of all concerned. It is possible that the Adjustment Bureaus themselves are in a large manner to blame for this situation, for the reason that they have not in the past attempted to sell the Adjustment Bureau idea to the members as it should be sold. In some instances, inefficient management and lack of proper attention to estates have caused Adjustment Bureaus to fall into disrepute with the membership.

It is a matter of interest to know that the National Board of Directors of the Association is excusing, through its splendid secretary-treasurer, Mr. Tregoe, and through C. H. Woodworth, manager of the Adjustment Bureau Department, a supervision over the Adjustment Bureaus which is so watchful, so efficient and so thorough as to materially raise the standard of Adjustment Bureau operation, and to eliminate so far as is possible incompetency and inefficiency in Adjustment Bureau operation. This being true, is it an idle dream to look forward to the time when the Adjustment Bureau and the Interchange Bureau will serve as two of the most useful tools in the work of the trade of the credit man? Always rest assured that wherever there is fraud, dishonesty, conspiracy, and treachery practiced, there you will find the Adjustment Bureau of this Association ready for the fight. *The Adjustment Bureaus will win this fight provided the members of this organization do not become lotus-eaters and fail to co-operate in the movement which has for its prime and only object the protection of the interests of all creditors.*

#### BANKRUPTCY COURT NOT AN AUTOMATIC MACHINE

The Adjustment Bureaus of the Association are upholding the hands of those Referees throughout the United States who are attempting to and are administering the Bankruptcy Act with efficiency, economy and expedition. The members of the organization should keep this in mind; that in the Adjustment Bureau they have one of the most efficient remedies for the suppression of fraud, just as they have in the Interchange Bureau the most efficient tool

for the prevention of fraud. Too many of the members of this organization believe that the bankruptcy court is like an automatic revolver; all you have to do is to pull the trigger and it continues to shoot until exhausted. Such is not the case. The Referee in Bankruptcy is a judge who conducts a Court. He only considers such matters as are presented to him, just as the judge of any other Court. It is not his duty, and it would be unbefitting for him to attempt to conduct an investigation into the bankrupt's operation of his business to see that he is prosecuted if he has made a fraudulent failure, or to oppose his discharge. The Referee is the judge, when the discharge is opposed, of whether or not the opposition to the said discharge is well taken. You therefore can not file your claim, as a lot of the members of this Association do, and expect the Court to look after your interests. You might as well file a suit before one of your local courts in your home city and never go near it any more, and expect the presiding judge of this Court to prove up your case, collect your money, and send it to you. We frequently find members of the Credit Men's Association who refuse to co-operate with Adjustment Bureaus in handling bankruptcy matters, stating that they have filed their claims with the Referee and that he will do the rest. The Bankruptcy Court is not to blame for the small dividend paid when creditors take so little interest in the bankruptcy administration.

#### BANKRUPTCY HAS ADVANTAGEOUS POSITION IN EYES OF COURT

This tendency on the part of creditors to ignore the administration of bankruptcy assets is slowly but surely tending to transform the bankruptcy courts from a creditors' court to a debtors' court. The tendency is to cause the courts to look with sympathetic eyes upon the operation of the bankrupt because in the last analysis in a great majority of the cases, the bankrupt is the only party who takes very much interest in the proceedings, and he is the man who brings the "business" into the bankruptcy courts. Since the creditors are not there, as a rule, to represent their own interests, and since the debtor is a "customer" of the Court, is it any wonder that the bankrupt should occupy an advantageous position in the eyes of the Court? Is it any wonder that fraud remains undetected, and discharges are granted which should have and would have been denied if properly opposed?

What would you think of the department store which, when a lady entered the door, immediately arrested her, took her upstairs and told her she must absolutely tell everything in the world she knew about the goods she had stolen from the department store—and cross-questioned her and subjected her to all sorts of annoyances? The lady certainly could not be a customer of that department store any longer. Therefore, we credit men must bear in mind that the Bankruptcy Court is at present a debtor's court as conducted, and you want to make it a creditors' court!

In a bankruptcy, if the credit man does not listen to the siren call of the attorney, he will get 15 or 20 per cent, more than he will if he does. Now I am not preaching against attorneys as a class, but I do say that the credit men of this country have to look out for the class of sharks who misrepresent what is being done, and what they can do for them.

I look forward to the time when the credit man will come into his own as the business builder of the Nation, the protector of its commerce, the exponent of the enforcement of its laws; I look forward to the time when the profession of the credit man will rank high in the learned profession of the country, and when as a result of his increased skill in handling delicate situations, and his knowledge of business and trade conditions, we shall be able to point with pride to a material reduction in the bad debt waste of the Nation, in the face of a greatly increased foreign and domestic trade.



#### Starting Right

E. B. Moran, manager of the Central Credit Interchange Bureau of the National Association of Credit Men in St. Louis, has sent to the Credit Monthly the above photograph, with the notation "Ten months old is none too young to begin the study of Credits." The Editor of the Credit Monthly is under the impression that this establishes a record. If there are competitors for this record, he would be glad to hear from them or their parents.

#### Per Capita Dues Raised by National Association of Credit Men

THE 28th Annual Convention of the National Association of Credit Men at Atlanta, June, 1923, voted in favor of the following amendment to the Constitution of the Association:

The amendment as proposed by the Board of Directors is as follows: "For the fiscal year beginning June 1, 1924, each local association shall pay to the treasurer of the National Association the sum of six dollars (\$6.00) for each of its members—one dollar increase. Beginning June 1, 1925, two years distant, each local association shall pay to the treasurer of the National Association, the sum of seven dollars and fifty cents (\$7.50) annually for each of its members. Of these sums, one dollar and fifty cents shall be reserved as an annual subscription price for each member to the monthly publication of the National Association of Credit Men and in addition one dollar will be used for the Investigation and Prosecution Department. The sum assessed for each association will be for the year beginning on a day fixed by the treasurer of the National Association for the payment of the dues, and assessment will be based on the members of the local association reported in the National Office on the day thus fixed."

# Honesty

## Business Constantly Sifting out the Dishonest

*By J. F. Van Riper*

Branch Secretary, Norwich Union Fire Insurance Society, Ltd.

IT is a common impression that the question of honesty or dishonesty has to do only with one's relation to the funds or property of another. If a man takes that which belongs to another he is dishonest. If he is careful never to appropriate what is not his own, he may do pretty much as he likes in every other way and men will call him honest. Indeed I am inclined to the opinion that there are some people who go so far as to believe that any conduct is right so long as it remains undiscovered; the evil lies in the disclosure rather than in the act.

Now I submit that this is an erroneous and wholly inadequate definition of honesty. Honesty and dishonesty are much bigger matters than this and they must be defined in much broader terms.

Honesty to my mind is a recognition of and obedience to the higher laws which affect life individually and collectively and therefore is something which strikes much deeper than the mere matter of thieving of goods and money. It is a question of fundamentals that touches every known plane of life, whether it be physical, moral or spiritual; whether it be commercial, industrial or social.

Here is a law controlling the physiological processes of life. By virtue of that law we know that the body must be supplied with so many ounces of nourishment a day if it is to be maintained in a healthy and normal condition; that certain foods possess certain tissue building values while others have destructive effects on tissue. We know that regular amounts of sleep and exercise are requisite to a proper functioning of the organism as a whole.

Since life for the individual requires that its subsistence shall be maintained through the activity of brain and muscle, and since no man liveth only unto himself, it follows that there is a duty to ourselves and to society so to cultivate and nourish the body that it may function upon the highest plane possible. He who persistently neglects nutritious foods for those that are injurious; who wilfully underfeeds or overfeeds his body so that the healthful processes are arrested or who uses stimulants or narcotics to excess, so that there is a constant breaking down of nerve and tissue, and thus keeps his vitality and strength at so low an ebb that neither brain nor muscle can function properly is, in my opinion, dishonest, for he is not only robbing himself of an asset of highest worth, but he is withholding from those with whom he lives and works that which they have a just right to expect from him as his fair contribution to their collective life.

If he persists in taking only half the amount of sleep needed for refreshment and recreation of the body in order to spend that time in the gratification of pleasurable appetites, he is dishonest for he is by just so much interfering with the proper performance of his obligations to life and correspondingly reducing his efficiency.



J. F. VAN RIPER

On the other hand, if one uses his influence with another to persuade him to do something which may reduce the efficiency of his life, let us say by inducing some bad or evil habit, or by putting forward some lower ideal of life or conduct that constantly distils its corroding elements upon mind and heart, or by conversation that is unclean and calculated to lower the moral tone and standard of life, such a one is dishonest for he is taking from another that which is infinitely more precious than goods or money; that which a lifetime may never be able to recover.

Life is a two-fold affair. It is not simply a matter of physiology. It is also a matter of spirit; for there is the life of the soul as well as the body, and there are laws governing that life quite as definite as those governing the flesh. The adjustment of these two sets of laws, the one to the other; the transmutation of the elements of the spirit into the operations and relations of the physical, we term the moral standards of life. By these standards we are judged and by them will the influence of our lives be inevitably measured in spite of any simple act of will on our part to the contrary.

### CHARACTER

There is one word which crystallizes what I have said and refines it into what may be either a brilliant gem of sparkling radiance or a dull and ugly thing with neither capacity to give nor to reflect anything that is either vital or inspiring, and that word is "Character." By character we mean that subtle essence of a man's thought and conduct by which his motives and purposes may be understood or their common inclination inferred. By character the paths

by which men walk through life are determined and their influence fixed.

The young people of our schools and colleges, now happily a multitude compared with the few privileged a quarter century ago, are undergoing an educational training the object of which is to fit them better for the contacts of life, that they may not be at a disadvantage with their fellows and associates. If they are to meet those contacts as they should; if they are to make them count for the greatest good to others as well as themselves; if they hope to make of life something worth while, then the conditions and the fruit of those contacts must not be left to chance or haphazard circumstance, but rather must be controlled by principles that are sound and righteous and that are as fixed and unalterable as the laws of the Medes and Persians.

Men go forth to seek a business career,—to begin that task and strife and competition by means of which they will not only become self-supporting, but the support of others as the years move on. They should remember that the success of that career will be measured not alone by the material riches attained, but more surely by the impression it makes upon their fellow men, by what it contributes toward the betterment and uplift of humanity and by what effect it has upon their own spiritual life.

If any have not already done so, they should take the problem in hand at once; for our acts of today become our habits of tomorrow and possibly the seeds of a downfall in later years.

Life is a complex matter and always a process that is moving in one direction or another. There is no such thing in life as stagnation, nor in death for that matter. One is a process of integration, the other a process of disintegration, but in either case it is always a process. Even in the realm of what we call inorganic matter, there is incessant change. It seems to be an outstanding eternal law that creation is always moving from one state to another. Those of us who profess the Christian faith may be thankful for this everlasting reinforcement of our hope. As Lord Tennyson so beautifully states it, "We rise on stepping stones of our dead selves to higher things."

So I say it is ours to establish at once the code by which life shall hereafter be controlled, to resolve that in home or shop or office never to stoop to a deceitful or underhand proceeding; not to obtain credit for work or conduct to which we are not justly entitled, for to obtain

(Continued on page 36)

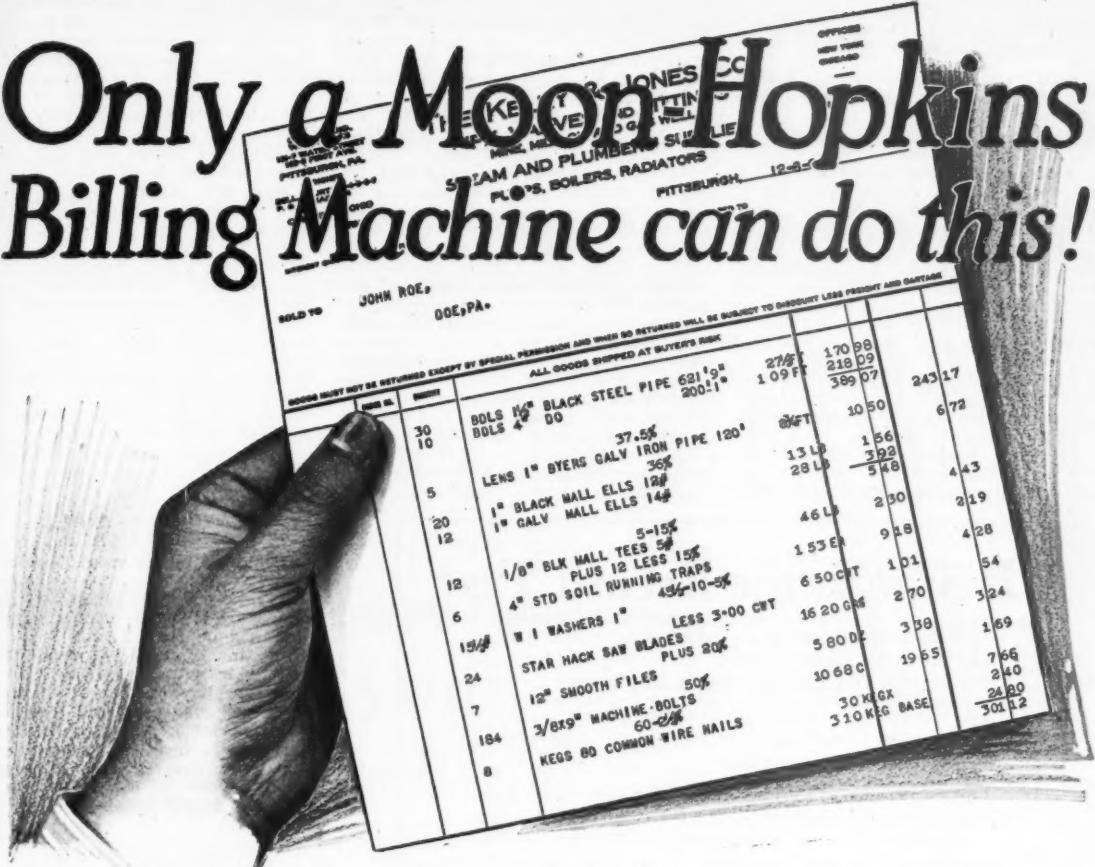
### Do You Know Them?

THOSE having had experience with any one of the following organizations will please get in touch with the National Association of Credit Men, 41 Park Row, New York:

Drug & Chemical Credit Assn.  
Confectioners' Mercantile Agency  
General Food Products Credit Assn.

Stock in a new corporation, known as the Consolidated Credit Organization, Inc., is being offered for sale. This new company is a reorganization of the three referred to above. The National Association of Credit Men is compiling a report on the new concern and would appreciate the experience of credit men as a guide in securing correct information.

# Only a Moon-Hopkins Billing Machine can do this!



Just time the  
writing of this bill

THIS invoice, including date, address, 13 extensions, 8 discounts and 3 totals, was typed and calculated simultaneously in *three minutes and four seconds* by a regular bill clerk of the Kelly & Jones Co. on one of their Burroughs-Moon-Hopkins Billing Machines.

Time the making of this bill by any other method—then you will appreciate the saving which this equipment makes possible. It multiplies two figures as easily as the usual machine adds. It computes chain discounts and figures the gross and net of each bill. It is the ONLY machine which types, computes and totals the bill at one operation.

A Burroughs representative will be glad to demonstrate the profitable application of the Burroughs-Moon-Hopkins to your business. Telephone the nearest Burroughs office or use this Coupon.

Better Figures make Bigger Profits  
**Burroughs**

ADDING - BOOKKEEPING - BILLING - CALCULATING MACHINES

Burroughs Adding  
Machine Co.  
6103 Second Blvd.  
Detroit, Mich.

Gentlemen: Please send  
more information about  
the Burroughs-Moon-  
Hopkins Billing Machine.  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
Business \_\_\_\_\_

## Get the Farmer Out of Debt

(Continued from page 18)

he didn't want to cultivate their friendship or know anything about their transactions.

'Well, I looked that up. What were the facts in the case? This banker went out on the open market and loaded up with Liberty Bonds, and tried to make it appear that he was a great patriot, and had bought these bonds to help his country. But he had not done anything of the kind. He had bought them for speculative purposes. He bought them on the open market away below par. And he bought so many that he couldn't pay for them, and the bank couldn't meet its obligations—it was threatened with bankruptcy, with disaster. He appealed to the Atlanta Bank and to the Federal Reserve Board at Washington, to come to his assistance. The Atlanta Bank and the Board at Washington did come to his assistance. I prefer to believe that they

came not to his assistance but rather to the assistance of that great adjacent territory of country which would have been brought into confusion and disaster by the mismanagement of a great bank like this, had it failed. But they came to the assistance of this bank, took the bonds off his hands, contingent, bought them and gave him the money, with the understanding that the bonds would be held until the market was more stable, and he would have to buy them back.

What happened? Liberty Bonds after a little began to advance. They not only reached the figure that this banker paid for them, but went away beyond. And then naturally, the Federal Reserve Bank of Atlanta and the Federal Reserve Board asked him to take his bonds back. They had tided him over his distressful period, they had averted disaster for a great section of country related to Atlanta, and other large cities hereabouts, and now when they asked him to take his bonds back, what

do you reckon that fellow wanted them to do? He wanted them to hold his bonds until he could speculate further and make six hundred thousand dollars instead of three hundred thousand!

Now if that banker recognizes his likeness in this picture, I have the correspondence on my desk and can prove every word of what I have said.

And that is the type of men and banks who are criticizing the Federal Reserve System!

Has it not helped the farmers? Why, reflect gentlemen, that just prior to the panic of 1907, the total bills collectible, the total rediscounts of all the national banks of the United States combined, were just \$59,000,000. And then think that in 1920, in this stress, the little Federal Reserve Bank of Kansas City alone rediscouned for the one state of Kansas to the extent of \$38,000,000. And the twelve banks combined rediscouned an almost unimaginable amount for all the banks of the country.

### NO RETURN TO THE DAY OF PANICS!

And these people would assail a System like this, would tear it down, destroy it, and return us to the day of panics and disturbances! Let me tell these people that if once they do destroy this Federal Reserve Banking System, it will be another fifty years before we have a System that will relieve their distress; and they will be subjected for a period perhaps longer than that to those dire calamities that shook the country and distressed it from one end to the other, and they will not deserve one whit better—if they get it.

### PAR COLLECTION WORTH 194 MILLIONS TO AMERICAN BUSINESS

And now they are trying to destroy your par collection system, which last year paid American commerce \$194,000,000. And I am distressed that by a recent decision of the Supreme Court of the United States, it is declared competent for a state to authorize state banks to make charges, collect toll, rake off graft, on the payment of checks, upon their accounts drawn by the depositors.

I want to say to this body of men here today, that in my conception it is your duty to get your legislative committees busy at once, to communicate with the merchants and manufacturers and business men of all kinds in these states, to go before their legislatures—very few of them there are—and demand the repeal of these obnoxious statutes.

The other day I was in one of the few states which have sought to break down this par collection system, and travelled over the best built roads that I have seen anywhere on the American continent—mile after mile of concrete roads of the very best type. In all my travel I didn't encounter a toll-gate; and if one were erected the people of the state would make an outcry. And yet there were in their statutes, that ten per cent. of all the banks in the Union erect toll-gates across the road of commerce, to make unjust exactions from business, which would have amounted last year, at a minimum rate of one-tenth of one per cent., to \$194,000,000, upon the clearances of this country.

I tell you it is vitally important and your legislative committee, in conjunction with the legislative committees

(Continued on page 30)

## It Stands the Record Test

THE material test of an investment is not current dividends alone—these may be paid by most companies in periods of general prosperity.

The material test is dividend record, plus what might be called "amount of stockholders' equity"—an assurance for the future.

The unbroken dividend record of American Telephone and Telegraph stock for over forty years is a matter of common knowledge. But it is not so generally known that there is an unusual stockholders' equity due to the conservative financial policy which the company has always followed. The company's funded debt now outstanding is less than 25% of its total capital liabilities.

This is a convincing explanation of the sound investment value of the stock and it is undoubtedly one important reason why A. T. and T. stock is held by more than a quarter of a million of people.

A.T. and T. pays 9% dividends on the stock outstanding. Today the stock can be bought in the open market to yield approximately 7%. Full information sent on request.



"The People's Messenger"

**BELL TELEPHONE  
SECURITIES CO. Inc.**

D.F. Houston, President  
195 Broadway NEW YORK

AUGUST, 1923

ANALYSIS OF SALES—EXPENSES AND PROFITS BY SALESMEN

Saleman	Gross Sales	Returns and Allowances	Net Sales	Gross Profits	% to Net Sales	Expense	% to Net Sales	Net Profit	% to Net Sales
Jackson J H	11,136.75	2,972.74	8,164.01	2,302.26	28.2	930.70	11.4	1,371.56	16.8
Bronson P A	9,098.60	2,014.06	7,084.54	2,104.11	29.7	609.28	8.6	1,494.83	21.1
Thompson A W	8,191.98	603.31	7,588.67	2,838.16	37.4	1,032.06	13.6	1,806.10	23.8
Mayer F W	6,358.47	1,100.36	5,258.11	1,819.31	34.6	457.46	8.7	1,361.85	25.9
Francis J T	5,257.56	161.41	5,096.15	1,605.29	31.5	402.60	7.9	1,202.69	23.6
Stewart A	4,977.86	1,033.49	3,944.37	1,427.86	36.2	500.93	12.7	926.93	23.5
Rico W R	4,285.93	1,776.42	2,509.51	755.36	30.1	358.86	14.3	396.50	15.8
Prouty C T	4,020.38	72.85	3,947.53	1,389.53	35.2	607.92	15.4	781.61	19.8
Warren E J	3,780.51	194.06	3,586.45	1,165.60	32.5	383.75	10.7	781.65	21.8
Totals	57,108.04	9,928.70	47,179.34	15,407.48	32.7	5,283.56	11.2	10,123.92	21.5

## Who is your star salesman?

WITHOUT a sales distribution and analysis an answer to that question is usually more or less of a guess. The leader in gross sales, like the one shown in above sales analysis, is not always the leader in net profit.

When provided with an adequate distribution of sales the executive doesn't have to guess. From the information it supplies he is able:

- To tell definitely who among his salesmen are the more profitable producers.
- To know if the men are selling a proper proportion of high profit specialties along with low profit staples.
- To tell at a glance if they are pushing "futures" as well as seasonal goods—and with what results.
- To show profits by departments as well as by salesmen.
- To classify sales to provide information needed for the guidance of buyers in making purchases.

Felt & Tarrant Mfg. Co., 1733 N. Paulina St., Chicago, Ill.

- To recap sales to cities, states or special brands for guidance in formulating future sales policies.
- To recap advance orders to size, color, designs for production purposes.

The advantages of a good distribution system can hardly be questioned. The cost of working it, in the ordinary way, is the chief obstacle. But with the Comptometer "Strip Method" that obstacle is easily removed.

The "Strip Method" of distribution not only facilitates the economical gathering of data from any and every source desired, but does away with the tedious recopying of figures. Used in connection with the Comptometer it shortens the work of distribution and sales analysis from 30 to 35%.

Isn't it at least worth investigating? Mail the coupon and see for yourself how it applies to your work.

### Comptometer helps move slow sellers

Mr. G. I. Hedberg, Office Manager, Noyes Brothers & Cutler, Wholesale Drugs, St. Paul, Minn., says:

"We rank the Comptometer a valuable member of our sales force because it helps us move slow sellers."

Some lines are easier to sell than others. And goods that sell easiest are apt to be the least profitable—either to the firm or our salesmen.

From our sales analysis we can show our salesmen just where they have fallen down on certain lines and prove to them the advantage of keeping all lines moving.

The same analysis enables us to show our buyers what articles in their respective lines are going best and how the prices compare.

If we had to figure these analyses mentally the cost would be prohibitive. But with the speed and accuracy of the Controlled-Key Comptometer we are able to compile these statistics at a permissible cost."



If not made by Felt & Tarrant,  
it's not a Comptometer

Only the Comptometer has the  
Controlled-key safeguard

Felt & Tarrant Mfg. Co.  
1733 N. Paulina St., Chicago, Ill.

Provided it commits me in no way I would like to have a representative explain use of "Strip Method" as applied, in conjunction with the Comptometer, to distribution and analysis of sales.

Name .....

City ....., State .....

Street .....

## HOW OTHER People Get Ahead

The United States Government has issued a booklet under the above title. It gives the rock bottom principles of success in investing and brings out vital points for judging securities.

We shall be glad to send you a copy on request.

**A.B. Leach & Co., Inc.**  
62 Cedar Street, New York  
Investment Securities  
105 S. LaSalle St., Chicago  
Boston Philadelphia Cleveland

## Get the Farmer Out of Debt

(Continued from page 28)

of all the business organizations of this country, should go after these fellows, and not let ten per cent. of all the banks in this country control a situation like this. There should be no toll-gates on the highway of commerce!

There are many other criticisms of the Federal Reserve Banking System which I would desire to notice, had I the time. But I want to stand here, just for a moment, and make a plea to you, to this great business organization of the country, to help repeal, to make an organized effort to repeal these unjust attacks upon the greatest banking system that America has ever had,—a system so characterized not only by the best economists of this country but so denominated by the best economists of foreign countries. The greatest economist of Great Britain has said that the Federal Reserve Banking System alone was worth more to America than ten Panama Canals would be worth. They appreciate it over there. Don't let us permit the politicians over here, who know how easy it is to prejudice the minds of the masses against banks and bankers, to successfully assail this System—and tear it down!

One more word, and it is a challenge to any man in this audience or any man in the United States to confute the fact: I say that in 1920, neither the Federal Reserve Banks nor the Administrative Board at Washington, deflated

business of any description. As a matter of fact, the official records show that when bank credits and the volume of currency were at their peak, highest in the whole history of the country, the bottom had already fallen out of the commodity market, cotton had dropped from 43½ cents to 11 cents; wheat had dropped from \$2.47 to a little more than a dollar; oats had gone to smash; silk was lower than cotton; and the wool market had gone to pieces. These things had happened in other countries before they happened in this country. It was the fall in commodity prices that deflated bank credits and bank currency, rather than any deflation of credits and currency causing the prices of commodities to drop.

The people had gone on strike against excessive prices: Birmingham had started the overall plan of quitting to buy clothes and wearing overalls instead. People were calling out to the Attorney-General of the United States, condemning him for not putting the profiteers in jail. And yet the politicians in Washington were advising the cotton growers and cotton speculators to profit from the entire American people. "Hold your cotton," they advised, "for fifty cents." And they held it—and got ten cents. Then these politicians, realizing the evil nature of their advice, (and it was advice of an evil nature) and after advising them to hold and then finding disaster ensued, had to find a scapegoat for their evil advice and turned upon the Federal Reserve System.

My friends, don't let them destroy it! Oh, I hate a demagogue worse than I do murderer, because he does more damage than a murderer. A murderer assassinates one man and a demagogue deceives a nation. And they have deceived people. They don't understand that this is fiction, instead of truth, that they are saying about the Federal Reserve System. And they are saying it just to fool the farmer and get his vote. God knows I don't want a farmer's vote if he doesn't know what he is doing when he votes for me!

Well, they can't fool Virginia farmers. They have too much sense! They have more sense than the politicians, and they don't relish the politicians thinking otherwise. You can't fool them—and I don't think they are going to fool them in Georgia and other states around here.

But it is your business right now to go to work on this par collection business, and save this two hundred millions of dollars to commerce, and not let it be a rake-off for somebody!

I thank you very much for your very generous attention to these desultory remarks of mine. I have been ill and had no time to prepare an orderly address. Next time I want to say something more about these people.

Fill out and mail  
this coupon  
today!

New York Title & Mortgage Company  
135 Broadway, New York  
Send me your booklet C.11  
Name \_\_\_\_\_  
Address \_\_\_\_\_

## Do you guard against personal loss as carefully as you guard your business?

Consider the safety of our 5½% Guaranteed First Mortgages and Certificates as an investment for your personal funds.

First Mortgages on Improved New York City real estate, guaranteed as to payment of both principal and interest.

Capital Funds of over \$8,000,000 back of our guarantee.

Invest from \$100 up

**New York Title and Mortgage Co.**  
CAPITAL FUNDS OVER \$8,000,000  
135 Broadway, New York 205 Montague St., Brooklyn



SECURE AS THE BEDROCK OF NEW YORK

## Collections Made by Augusta

THE Adjustment Bureau of the National Association of Credit Men at Augusta, Ga., is in a position to serve in collections and personal investigations. The directory for June 1923 was in error in stating they do not render those services. Manager W. B. Oliver will give immediate and careful attention for all claims sent in to the Bureau.

## Rebirth of Austrian Credit

(Continued from page 8)

ly of the treasury. The bank may undertake operations for the Government, provided these operations do not result in advances or credits to the Government."

"The bank has the exclusive right to issue bank notes. It shall accumulate a metallic reserve, which will enable it to begin redemption in specie as soon as a ratio between bank notes and gold currency is established by law and the debt of the Federal Government to the bank is reduced to 30,000,000 gold kronen. The ratio is not fixed by the present law, nor is it stated by what means the debt of the federation is to be reduced from its present level of about 170,000,000 gold kronen. Until the resumption of specie payments, the bank notes in circulation, plus all other current liabilities, but minus the interest-bearing debt of the federation to the bank, must be protected by a reserve composed of gold, foreign currency, or foreign bills of exchange not subject to extraordinary fluctuation, for the first five years to the extent of 20 per cent, for the next five years 25 per cent, and for the following five years 28 per cent, and for the following five years 33 1/3 per cent. On the basis of the present reserve ratio, provided the bank receives the 18,000,000 gold kronen expected from the liquidation of the Austro-Hungarian Bank in addition to the full capital stock, the notes in circulation could be increased to about 6,000 billion kronen. Any excess of note liabilities above the metallic and foreign exchange reserve must be covered by discounted bills of exchange."

On May 18 commercial credits were granted to Austrian concerns at the rate of 22 per cent per year. Only one month before, the rate was 34 per cent. A year ago in 1922 the rate was 400 to 500 per cent per year. There is good reason to believe that the stabilization of Austrian currency which is resulting from the valuation of the crown at 70,000 per dollar is likely to be permanent.

### SOME DIFFICULTIES AND THE OUTLOOK

With the cessation of inflation in every country there comes an industrial crisis and Austrian business men and manufacturers today are in the throes of it. The continued inflation in Germany has aggravated the situation in Austria for the low value of the mark has resulted in the severest kind of competition for Austrian business men. Until the mark and the Hungarian kronen and the Jugo-Slavian leu are stabilized, Austria will suffer under the unnatural competition that comes with depreciated currencies.

In the last analysis the stabilization of the crown and the reconstruction of Austria depends upon the balancing of her budget and upon her foreign trade. The Austrian budget deficits are being reduced month by month but they still exceed her income. Moreover, her visible trade balance is still against her. However, with the reconstruction of other sections of Central Europe, it is expected that the invisible export items of Austria (Vienna is one of the banking centers of Central Europe) will be able to balance her trade.

The remaking of Austria is a definite achievement of the League of Nations. The story of the revival of Austria's credit reads like a fairy tale. It is a story again of balanced budgets and

confidence,—the story of Character, Capacity and Capital. The Character and Capacity of the Austrians, a highly skilled and educated race, were temporarily lost to her during the war and post-war years. Then she regained in part through her own efforts and in part through having had imputed again to her the possession of qualities which she had in ample measure before the cataclysm. To Character and Capacity there has been given Capital and Credit in the form of guaranteed loans from her former enemies and from neutral states.

The reconstruction of Austria points the way for the reconstruction of other Central European nations. Whether that reconstruction is accomplished by the League of Nations or not is immaterial, whether it is modeled after the Austrian reconstruction is, in a sense, also immaterial. It will only be accomplished, if accomplished at all, by the rebirth of the greatest asset in our modern capitalistic society, credit, without which our modern industrial system cannot exist.

### Opening the Purse Strings

(Continued from page 22)

view, but at the same time tries to pour oil on the troubled waters. It softens the opening paragraph which is rather bold and possibly exaggerated.

The third paragraph eliminates a chance for argument and attempts to win by an appeal to pride. Then follows that persuasion principle of a sales letter and with it goes just a touch of flattery; effective weapon if properly used.

The next step is the clincher which brings in a little more flattery and the appeal to ambition. This is followed up in the sixth paragraph by an appeal to self-interest, showing that "it is good for him."

Now begins the collection act staging those three principles of courtesy, appeal to pride and self-interest, and the veiled threat.

The concluding paragraph is a frank appeal to sincerity, touching on fair play and engaging the reader's reasoning powers as applied to the entire letter.

*Always insist on a Springfield policy—it PAYS!*

## Lighting Rods



They may be considered old-fashioned!—but up-to-date engineers recognize them as a big help in warding off destruction from the skies.

Is YOUR plant equipped with approved lightning rods? They entitle you to a discount on your insurance premium. Consult a "Springfield" Agent TODAY. Ask him for FACTS.

**SPRINGFIELD Fire & Marine Insurance Co., of Springfield, Mass.**

## How Large an Income Yield Can I Get Safely?

That is a question which investors are constantly asking, balancing their natural desire for a good return against the instinct to "play safe." You will discover, if you will investigate Miller first mortgage bonds, that safety and a liberal yield are ideally combined in these securities.

We will be glad to send to any reader of The Credit Monthly our booklet, "The Premier Investment," which gives an authoritative account of the origin, history and investment record of real estate first mortgage bonds. Write for a copy today.

**G.L.MILLER & CO.**

1108 Carbide and Carbon Bldg.,  
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Philadelphia, Pittsburgh, St. Louis, Atlanta,  
Memphis, Knoxville

In the study of these two letters, there would undoubtedly be many opinions, one as good as another, in regard to the better way of handling this difficult matter. But the letters are worthy of further careful study for the determination of their relative value.

In conclusion, let us remember that in this world are many men whose ways are devious and manners strange. We must study our fellow man, paint him a pen picture which will win his heart and open his purse strings.

**The Stenographer says**

**Blot! Spatter! Splash!**  
Gosh! Guess the boss got mad tryin' to sign this letter with some thick, dried-up ink! Can you beat it? Gotta type this whole letter over again. Wish he had a Sengbusch Self-Closing Inkstand—like Jim's boss uses. Then he'd always have clean, fresh ink—and he couldn't jab his pen down to the bottom of th' well, either!"

**TRY ONE TEN DAYS FREE**  
Just send us the name and address of your stationer—on the margin of this page, if you wish—and we will send you an order on him for ten days' free trial!

**Sengbusch**  
Self-Closing Inkstand Co.  
408 Stroh Building  
Milwaukee, Wis.

### The Credit Man's Tool of Trade

The entire edition of the Credit Man's Diary of Commercial Laws for 1923 was sold out. More were printed of this edition than in any previous year since the Manual first appeared in 1908.

### The Saving of Men and Money

(Continued from page 19)

about the illness, had reached into his bag and prescribed the first remedy that came into his hand and insisted upon my taking it, we would say that that group of doctors would be guilty, virtually, of manslaughter.

That is exactly the way insolvent estates have been handled, particularly just before they got into court,—concerns fundamentally strong, but through some misfortune in failing circumstances.

One credit man sees a sign that indicates failure to him; he immediately demands payment. Another credit man sees the same sign and demands security. Another credit man sees the same thing and puts the case in the hands of a lawyer, saying to the debtor, "If you don't pay me by night, we will close your shop." Another one calls the debtor's notes and another one vaguely talks about an assignment for the benefit of the creditors. This poor failing debtor who has a chance to live and ought to live, is murdered by the inefficient, ineffectual methods adopted by these credit managers.

That kind of thing is going on all over the United States today. Credit men are not thoroughly organized; they are not putting their claims in the hands of one bureau, and they are not going to this debtor or that debtor, saying, "Mr. Debtor, we are here to help you. You need help. What is your trouble? Lay the facts on the table for us. Let us help diagnose this situation and help you to cure that evil."

Up in Indiana, since Mr. Tregoe has been coming through there during the last two or three years, credit men are beginning to look at these things in the right way, and they find that it pays.

Insolvent debtors are glad to furnish any committee of creditors, if that committee is representing the creditors and not just a small proportion of them, with any necessary information. No debtor has the temerity to refuse such an organization of creditors any information it is entitled to. And if he should, if the creditors are organized, they have the big stick which can force the issue.

Of course, such common sense handling of an insolvent estate precludes sending out broadcast through numerous channels the claims for collection or for something to be done with them.

So, gentlemen, in the common sense handling of insolvent estates, as viewed by one who is not a credit man, who does not pretend to know the little difficulties you are confronted with every day, but who has seen the results, I say to you that the first thing is to raise the standard of your profession and to sell it to the heads of your houses. Get across to them the idea that the bookkeeper, that the oldtime salesman, any man who can sit at a desk and do a pretty column of figures, and do detail work, is not qualified to be a credit manager, but he must be trained from the ground up in business economics.

The second thing is that by your organization you make possible the means for securing the accurate, valuable data that you must have before you proceed.

And third, you should so organize yourselves that you will proceed with absolute unity of purpose.

Have you ever thought of anything more ridiculous than to see a lawsuit, a bitter fight waged for the possession of the remains—and the official undertaker, where every lawyer in that fight is representing a creditor whose interest is identical with the interest of every other lawyer's client who is in that fight,—and to see them pass hours and hours fighting among themselves for the right to bury the body?

When you have adopted those three things,—raised your standard, availed yourself of the facilities which you have, and secured unity of purpose in the handling of these estates,—then the credit man can realize the full responsibility that is his.

A credit man who thinks his whole responsibility is to his employer, has not the proper conception of his business. Credit men, by reason of their position, are in a position to save largely the great economic loss caused by credit waste. That money is not his employer's money, but the public's, for the public has to bear that loss.

The credit man, therefore, owes a responsibility to the public at large and he owes a responsibility to the debtor. Thousands of men throughout the United States today have come in and entered into their business, have gotten as far as they are simply by reason of their super-energy, their integrity, their ambition, who are not properly trained in business methods. And as their business grows and gets beyond their control, they are likely to become swamped and to fail. The credit manager owes such a man a duty, to keep in touch with his business and to supply for him that economic knowledge, that knowledge of business principles, which one man himself has never had an opportunity to know, to the end that the man's business may be saved and his life work not a ruin.

So I say the credit man's responsibility is threefold: to his employer, to the public, and to the debtor; and until credit men recognize that responsibility, they have not raised their profession to the full standard.

**Great American Insurance Company New York**

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**\$12,500,000**

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**AGENCIES THROUGHOUT THE UNITED STATES AND CANADA**

# Buyers' Guide to Office Helps



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**Write for Rates  
in this Section  
of the Credit Monthly**

## Make the Nation Safe

(Continued from page 11)

tions. We must admit that in their administration mistakes have been made, that governors of Federal Reserve Banks and members of the Federal Reserve Board are human beings, and in the administration of the affairs of any institution by human beings, mistakes will be made. But these mistakes are insignificant compared with the outstanding usefulness of the institutions themselves. And they should be judged by the good which they have performed.

Among the membership of your associations, there are some of the bankers of the community. When you map out your programs for next season's activities, see that you have scheduled a number of lectures on that great credit-giving institution, the Federal Reserve System. And when the System and its functions are better understood by your members, ask them to carry the knowledge further,—to noon-day clubs, to business men's organizations, to farmers' institutes, to teachers' institutes, — so that all of America may be informed of the necessity of the continuance of these great rediscount banks.

### THE GOLD STANDARD

I should next like you to give consideration to another institution that contributed toward making credit-giving safe in America when there was a general breakdown in a number of the advanced commercial countries. I want to speak of the old standard upon which rests the great bulk of the currency of our nation, and which has contributed to keep that currency stable

## GEM ADDING MACHINE 250,000 Sold Since 1904



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## Multigraph

## RIBBONS RE-INKED

Our process costs only \$6.00 a dozen. Try it. A trial order will convince you that it is the best Re-Inking you can buy.

Send 2 Ribbons to be Re-Inked at our expense

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### THE NEW VISIBLE RECORD KEEPING METHOD

In  $\frac{1}{2}$  the Space  
With  $\frac{1}{2}$  the Weight  
And  $\frac{1}{2}$  Less Cost

For Information Write  
VISIBLE RECORDS EQUIPMENT CO.  
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## Like having a phone-booth on your desk



Hush-A-Phone is a Voice Silencer which allows confidential speaking over the phone at your desk, without fear of being overheard.

1. People beside you cannot overhear what you say.
2. No one is disturbed by other people's phone talks.

3. Clearer messages are possible because outside noises are eliminated. Hush-A-Phone is not a permanent attachment, but slips on or off in a moment. A demonstrated success, thousands in use. Send for booklet— "How to make your telephone as private as a booth."

**Hush-A-Phone Corp.**  
19 Madison Avenue New York

## Your Product Is a Good One

Why not let the other 33,000 Business Executives know about it?

**Advertise Here**

and steady in the face of the most destructive war the world has even seen.

The gold standard is the outcome of centuries of experimenting with money. William Trufant Foster and Waddill Catchings have just written a splendid treatise on money for the Pollack Foundation for Economic Research. I find in the book, which is published by Houghton Mifflin Co., a statement in regard to the various contrivances that have in the past been used as money:

"Early in the history of human intercourse, men began to use a medium of exchange. For this purpose they tried innumerable commodities, from primitive times when some use appears to have been made of shells and furs and cattle, down to recent times when certain hardpressed farming communities in the United States tried to make corn legal tender. It is said, on meager evidence, that tobacco, salt, dried fish, eggs, iron spikes, and bullets have been used for media of exchange. However that may be, there is no doubt that many kinds of money have passed current, from time to time, and from place to place. As they varied widely in their fitness for the purpose, it was natural that in the struggle for existence the fittest should survive."

"There is no mystery connected with the fact that cows did not survive as currency. The Greeks, who in the Homeric poems expressed the value of coats of armor in terms of the number of kine they would bring in the open market, were well aware of the fact that cows, however admirable for certain purposes, were not all that could be desired as circulating media. In the first place, they were not easy for ladies to take with them when they went shopping. Nor were they readily divisible in making change, at least not without trouble to the traders and damage to the cows. Nor were they durable; before the owner could spend them, they might lose weight or die. Furthermore, no two cows were exactly alike or of exactly the same value; as a result, arguments were always in order not merely concerning the value of the goods offered for sale, but likewise concerning the value of the medium of exchange. In short, cows were destined to escape the arduous work done by money—which Bassanio centuries afterward dubbed "the pale and common drudge 'tween man and man."

because they did not possess those traits of a satisfactory currency which are now discussed in the textbooks as portability, divisibility, durability, homogeneity, and uniformity.

"There is still another essential attribute of money—termed by Jevons 'cognizability'—that helps to explain why gold survived. It is easy to recognize a piece of gold. It is easy, for that matter, to recognize a cow; but an acceptable currency must satisfy all the tests, and men have discovered, first in one part of the world and then in another, that no single commodity possesses all the essential qualities in so high a degree as gold. No other commodity, having the other needed characteristics, is so easily carried about as gold; most of us could carry in our pockets, in the form of gold coins, all the money we could afford to spend in a day, without being aware of the weight. No other commodity, equally good in other respects, is also both infinitely divisible and virtually indestructible. If a gold coin had been placed in circulation in the boyhood days of Methuselah, and had since been subjected only to the ordinary uses of currency, it would be much worn, no doubt, but still a gold coin."

There would be little need of saying anything in relation to the gold standard if men, well-entrenched in public confidence because of their outstanding success in their lines of endeavor, were not presently advocating a further experiment. The experiences of Russia with its rubles and Germany and Austria with their marks and kronen, would appear to be such a warning to all peoples, that endeavors in the flat money direction would never again be undertaken. But one always finds people willing to try what appears to be new; people willing to try to get something for nothing, people willing to experiment with that for which experience has found the better way. During the war there were many who advocated simply printing more money, rather than endeavoring to sell liberty bonds, and there will always be those who will think that by simply printing

more money they may get possession of more money—not taking into consideration that a money that is to be had for nothing, because it rests on nothing, is worth nothing.

#### PROTECTING FEDERAL RESERVE SYSTEM AND GOLD STANDARD

I have suggested that in mapping out your courses for the coming year you include several lectures on the Federal Reserve System. I take the liberty of suggesting further that you include a lecture or two on the Gold Standard and what it means in keeping stable the values on which we place our credit estimates. Then, when the subject is thoroughly in your grasp, I suggest, as in the case of the Federal Reserve System, that you impart this knowledge to those organizations in your community that will be delighted to have from you that which your experience brings to them with authority.

*Economic complexity has increased at a greater rate than has economic understanding.* The places occupied in our modern life by the two great institutions, the Federal Reserve System and the Gold Standard, are not generally understood. The part that credit plays, and its relation to the great discount banks and to the gold standard, are not generally understood. The protection of these valuable adjuncts to our commercial life requires our taking an interest in the distribution of knowledge regarding them. The banker is endeavoring to do his part. I know the loyalty of the credit man to high ideals, to true American institutions and to his duty to protect them with all the ability and all the energy at his command.

## Compromise With Fraud Always Poor Business

By Jules Hart

Lewis Meyers and Son, New York

A wise credit man once suggested that over the portals of Parlor B in a certain down-town New York hotel should be emblazoned "Whosoever enters here leaves hope of a good dividend behind." At this famous burying ground of creditor's hopes, a group of men interested in the failure of a haberdasher, Abe Ainbinder, met in response to an invitation of a Creditors Committee to consider "ways and means, etc." Forty out of the fifty creditors of the bankrupt, whose claims aggregated nine-tenths of the indebtedness of about twenty thousand dollars, were present and all agreed to send their claims with power of attorney to the Creditors committee that they might control.

The debtor was represented by a young man who looked over the assemblage, thoroughly sized his men up as "easy marks" and calmly announced that the insolvent debtor would pay 10 per cent. in cash and 10 per cent. in notes, payable when they were paid, if his offer were accepted at once. Should there be any hesitation, however, the offer would be withdrawn.

The chairman of the meeting, timidly referring to a signed statement the debtor had given four months previous, showing a net worth of twelve thou-

and dollars, which compared with an apparent deficit of fourteen thousand dollars at the time the petition in bankruptcy was filed, asked for an explanation. The usual assortment of generalities about big expenses, no profits, no business, etc., were offered by the smart attorney. Some one broke his remarks to the effect that the whole affair was "crooked," and the attorney ended his appeal with, "If this young man has done anything crooked he ought to go to jail, and I'll help you send him there." The creditors took him at his word.

Being convinced that assets had been removed, the committee previously appointed was asked "to go the limit." the chairman accepting the responsibility "only with the distinct understanding that if fraud could be proven no settlement would be considered."

The committee took the meeting at its word and got in touch with the receiver, Julius Weiss, who was requested to ignore the usual and pernicious system of appointing as his attorney the counsel for the petitioning creditors and appoint counsel selected by the committee. Mr. Weiss agreed provided the committee would appear before Judge Mack and make such a request. Upon learning the circumstances Judge Mack suggested that the receiver act with the committee. This victory alone would have made the case worth while. Attorneys for petitioning creditors cannot, in the very nature of things, interest themselves in a fraudulent failure as conscientiously and energetically as can counsel selected by the creditors themselves, to whom they are directly responsible—and this case proved it.

Ainbinder was petitioned into bankruptcy on December 27th. On January 8th indictments for the concealment of assets based upon evidence unearthed by the attorney for the Creditors Committee and presented to the Grand Jury by Assistant U. S. Attorney Victor House, were found against the bankrupt. Solomon Ainbinder his father, Albert H. Ainbinder a brother, Jack Ainbinder reputed to be a cousin of the bankrupt, and David Henry, a clerk, were also indicted and brought speedily to trial.

Mr. House agreed to the dismissal of the indictments against Solomon and Jack Ainbinder; but Abe Ainbinder, Albert H. Ainbinder and David Henry were convicted in record time. Though the trial lasted five days and was bitterly contested, the jury was not closeted more than five minutes when they announced their readiness to bring in the verdict—"Guilty." Sentence was suspended on two different occasions, as the attorney for the defendants stated he intended to make restitution. The committee, its attorney, and Mr. House refused consistently to listen to any offer of restitution, if it meant a recommendation for a suspended sentence, or even a recommendation for lighter sentence, as a consequence of which there was no "restitution."

In the meantime, during the period

## YOUR PRESTIGE

THE employe who saps the life-blood of your customer's business is headed for jail. His arrival, however, won't help your standing as a credit man.

Insist that the credit-asking concern provide Fidelity Insurance.

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between the convictions and imposition of sentence, some of the stolen goods were located, and the trial ended with one of the heaviest sentences meted out in a long time. Abe Ainbinder and Albert Ainbinder received eighteen months in Atlanta prison, and fines of \$5,000. each; and David Henry six months in prison. Judge Goddard, in imposing sentences expressed the opinion that the evidence introduced at the trial established the fact that a fraud upon the creditors had been perpetrated, and even refused to grant a stay of a few days to afford counsel an opportunity to appeal. Pending such appeal bail was set at \$10,000. for each of the brothers and \$3,000. for David Henry.

The troubles of the Ainbinders and their friends are not over yet. Part of the concealed assets of the bankrupt were found in Brooklyn in the apartment of Charles Rohner, an employee of Michael Ainbinder, another brother. Testimony elicited by Mr. House served to implicate Michael as well as Rohner, and Mr. House arranged to have the matter presented to the United States Attorney in Brooklyn for prosecution. The recovered goods were worth about \$700., and will ultimately swell the assets of the bankrupt estate.

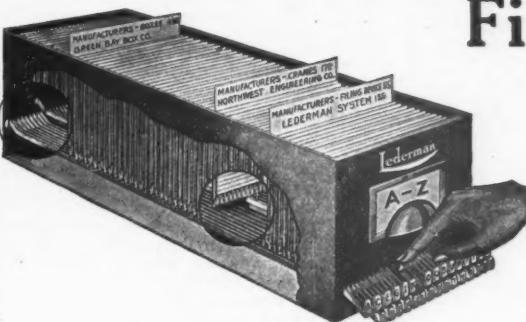
This case means that if creditors will but cooperate where evidence of fraud is found, back their committee by refusing all offers of settlement, and contributing their share to a prosecution fund so that competent attorneys can be secured, who will press the case to a successful conclusion, commercial crooks will soon realize that the game does not pay, and thousands upon thousands of dollars will be saved by creditors.

In this case, only about half of the creditors contributed their proportionate share to the prosecution fund. Failure to contribute is not only unfair but discouraging to a Creditors Committee which is forced to beg with hat in hand for funds which should be gladly offered, since all benefit alike. Creditors must realize that in the long run vigorous, unrelenting prosecution of fraudulent bankrupts will bring in far greater dividends than are had by winking one eye and bargaining for the best settlement. The news of such a result as the Ainbinder case, spread among the practitioners of fraudulent bankruptcy. The Assistant United States Attorney who prosecuted the case was himself surprised at the widespread influence of the conviction.

The credit man is wont to say, "What's the good? Let's take our loss and be done with it; the other fellow won't help morally or financially—all you get out of your investigation is criticism, and loss of valuable time." There would be no such complaints heard if creditors would do their duty, the solemn duty of helping the deserving debtor and sending the commercial crook to prison for only in that way can business ethics be brought to a higher standard.

The lessons from this case are—Attend personally, or send some responsible representative to all creditor's meetings; don't give proof of claim and power of attorney to the first fellow who asks for it, for as a rule he wants it to protect himself, not you, but place it where it will do most good; cooperate in every way, morally and financially with the committees you select to represent your interest, and finally—Forget about dividends in a crooked failure.

## Immediate Selection Without Complicated Filing



Until the Lederman System of filing was placed on the market no method was known where the card could be filed in any part of the drawer and immediately found when desired, without even the use of an index.

The convenience—the time saving element of such a file is obvious.

Much time and many costly errors result through cards being filed behind the wrong guide. All this is eliminated in the Lederman System.

A simple press of the key and immediately the card or cards desired are exposed to view.

After the card has been used it can be placed back in the file in any position and a simple press of the key will again display it. Files are made in standard olive green finish, also in oak and mahogany at a slight additional cost.

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The saving of time in many offices has paid for the installation many times over. We shall be glad to send you complete description of this filing system.

A limited number of territories are still open for high grade office specialty distributors. Also a few district manager positions are open. We shall be glad to hear from you. Write, giving full particulars.

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## Declaration of Independence

A facsimile copy of the Declaration of Independence has been issued by the John Hancock Mutual Life Insurance Company.

This reproduction is a composite reduced facsimile, one-quarter size, taken from a facsimile reproduction of the original Declaration of Independence made by W. L. Stone in 1823, under the direction of John Quincy Adams, then Secretary of State. The original engraved Declaration is in the custody of the Library of Congress at Washington. The John Hancock Company will send this copy of the Declaration free for framing.



Sixty-one Years in Business. Largest Fiduciary Institution in New England

## Honesty

(Continued from page 26)

reputation under false pretenses is not a bit better than to obtain money or goods under false pretenses.

We must recognize that to cover wrong conduct by falsehood is not only one of the basest forms of moral cowardice but one of the most withering things that can happen to the higher impulses of life since it makes of one wrong deed a second and destroys the tone of conscience as inebriety destroys the brain.

There should be the resolve never to speak the word nor tell the story that will lower another's moral concept of life or lead his thought into unclean or evil channels, for it may take from him that which is more priceless than gold. Furthermore, there should not be spoken the false word derogatory to the reputation or the character of another or that may take from him that to which he

may be justly entitled in the opinion of others. There is no difference in principle between stealing reputation and stealing money; one is as culpable as the other.

We cannot set for ourselves too high standards of thought or conduct, and we must hold to them even though our fellows mock and upbraid. They will admire and respect the possession of a strength that is not theirs.

Science tells us that whatever the life is inwardly will be written indelibly in the face and bearing. If our life is immoral or unclean the face will be marked as definitely as was Hester Prynne with the scarlet letter. If we are generally sneaky and deceitful, we may be sure that men will know it.

All these things that perhaps seem so much like preaching are the things that are being constantly sought for in men as the sifting process in business is going on from day to day. The man or woman whose attitude toward life and work is shiftless, tricky, deceitful or dishonest can never last. Such a one is heading for keen disappointment and certain disaster.

To attain success in a business career, to gain the respect of our fellows and the acceptance of our word with the feeling that it is as irrevocable as a divine decree; to leave behind us a name and reputation that will last, we must make up our minds to be controlled only by the highest ideals and resolve that they will never be compromised by word or deed.

## June Issue Out of Print

The June issue of the Credit Monthly has been out of print for several weeks. Any reader of the Monthly who has a copy of this issue which he does not need for his files will confer a great favor by sending it to the Editor, 41 Park Row, New York.

## NATIONAL LIBERTY Insurance Company of America

Incorporated 1859

### 64th Annual Statement

January 1st, 1923

M. J. Averbeck, Chairman of the Board

Charles H. Coates, President

ASSETS		
U. S. Government and Liberty Loan Bonds		Market Value \$3,756,797.00
State, County, Municipal and Provincial Bonds		221,902.55
Railroad and other Bonds and Stocks		4,554,311.76
Loans on Bond and Mortgage		1,345,500.00
Cash on Hand and in Banks		790,277.90
Other Admitted Assets		1,435,845.27
<b>TOTAL ASSETS</b>		<b>\$12,104,634.48</b>
LIABILITIES		
Capital		\$1,500,000.00
Premium Reserve		6,288,022.89
Reserve for Losses		949,826.15
Reserve for Taxes and all other Liabilities		386,138.59
Total Liabilities including Capital		\$9,123,987.63
<b>NET SURPLUS</b>		<b>*\$2,980,646.85</b>

### SURPLUS TO POLICY HOLDERS

\* Items marked (\*) would be increased by \$31,653.19 if securities were listed at Insurance Department valuations.

Head Office, 709 SIXTH AVENUE, NEW YORK  
Western Department, 207 NORTH MICHIGAN BLVD., CHICAGO

## Positions Wanted

### CREDIT AND COLLECTION EXECUTIVE

Wide experience. Past seven years traveling from coast to coast in capacity where judgment, initiative, ability, tact and firmness were required with knowledge of practice in commercial law to handle payment of current and past due accounts, consignments, replevin cases, repossession, conversions, embezzlement acts, bankruptcy cases. Previous position, ten years executive with manufacturer. Familiar with financial statements, fixing lines of credit, ways and means of handling delinquent accounts, stimulating action and keeping the account on the books—desire connection where my wide experience with accounts in all phases will be valuable as a producer and a builder. Age 45, married, family, Christian, college educated, high class credentials. Salary to start \$3,000. Address Advertisement 836.

**MARRIED MAN**—Twenty years' experience with the largest mercantile agency in the world, desires to make a change. Is thoroughly experienced in all kinds of business correspondence, credits, etc. Address H. C. G., c/o Mrs. Frances Kress, 947 Third Ave., New York City.

**ASSISTANT TO CREDIT MANAGER**—In concern that offers chances of unlimited advancement to a Protestant young man, one who has yet to make his mark in business, but who will not be long in doing so. Available September 1, 1923. Salary to start \$1,800. Address Advertisement 837.

**ASSISTANT CREDIT AND COLLECTION MANAGER**—By young man, age 27, American, now employed by large wholesale firm. First-class accountant. Six years with present employer but desire a change. Best references. Salary \$2,100. Address Advertisement 838.

**CREDIT MAN AND TRAVELING ADJUSTER**—Ten years' experience, excellent record. Oils, auto supplies, etc. Good correspondence, legal education, member of the bar. Must locate in the West. Initial salary \$3,000. Address Advertisement 938.

**POSITION OF RESPONSIBILITY AND OPPORTUNITY**—Age 40, married, now employed as plant accountant. Experienced in manufacturing costs, credits, collections, office management and expert bookkeeping. Location, Philadelphia preferred. Salary \$3,000. Available on 10 or 15 days' notice. Address Advertisement 840.

**EXECUTIVE**—Age 36, now engaged, desires change. Seventeen years' practical experience in accounting, banking, budget preparation and control, credits and collections, departmental coordination, financing, formulation of business policies, income taxation and executive office management. Prefer position as comptroller or assistant to dominant officers or owners of a large company. Salary \$9,000 subject to negotiation. Address Advertisement 841.

**CREDIT MANAGER**—Eight years with present employer, in charge of both domestic and foreign credits and collections with some experience in sales management, desires opportunity for further advancement. University and legal training and capable of assuming responsibilities. Age 40, married. Salary \$4,500 to start. Address Advertisement 842.

**HIGHLY SPECIALIZED AND SUCCESSFUL CREDIT AND COLLECTION MANAGER**—Now employed. Fully qualified, as well to direct or assist in financial undertakings where expert knowledge of commercial law is a requisite, as well as in the formulation of constructive and economic policies, when necessary. Credentials from nationally known firms. Prefer Greater New York or its environs, but will locate anywhere in the United States. Address Advertisement 843.

**EXECUTIVE**—Experienced credit and collection manager, also accountant and treasurer, now employed, desires change. College graduate and Wharton School. With wholesale mercantile connections of fifteen years can assume real responsibilities. Age 38, family, Protestant. Early connection in Philadelphia or vicinity. Initial salary \$5,000. Address Advertisement 844.

**YOUNG MARRIED MAN** of good character and ability desires position of responsibility and opportunity as credit man or accountant. Have both education and experience. Address Advertisement 845.

**CREDIT AND COLLECTION MANAGER**—Broad experience in secured and unsecured accounts; highest credentials; salary commensurate. Open for immediate engagement. Address Advertisement 846.

**CREDIT MANAGER, DOMESTIC AND FOREIGN**—Age 38, married. Desires to connect with wholesale or manufacturing house. Eleven years' experience. Now holding responsible position with company doing an international business. Capable of directing department. Address Advertisement 847.

**CREDIT MANAGER AND OFFICE EXECUTIVE**—Desires to make a connection in New York State or New England. Now employed as assistant secretary and treasurer of a nationally known corporation. Broad experience in credits, collections, accounting, financing and sales. Finest of references. University graduate; age 30, Protestant, married. To be convinced of ability. Address Advertisement 848.

**POSITION WANTED** with responsibility and opportunity. Sixteen years banking experience, well acquainted with collections, shipping and financial documents, foreign trade promotion work and credits. Particularly familiar with trade customs and business conditions in Africa and Australasia. Well known to all the import and export trade associations and business houses. Seek connection with a reputable organization who is looking for a man with the above knowledge. Am a member of the New York Credit Men's Association. W. O. Staeb, 89 Feronia Way, Rutherford, N. J.

### Addressees Wanted

BENTRUP, FRED G., formerly operated the Coupe DeLuxe Sales Company, Indianapolis, Indiana. Believed to have returned to St. Louis, his former home.

DEBORIS, DORIS, 1250 Bryn Mawr Avenue and 964 Edgecomb Place, Chicago, Ill.

GARLAND, RUFUS M., proprietor, Garland Clothing Company, formerly of Louann, Arkansas.

HAMILTON, W. H., last known address 130 34th Street, Newport News, Virginia.

HENDRICKS, E. P., 1063 Hollywood Avenue, Chicago, Ill.

KAPLAN, M., formerly operated the Endicott Specialty Company, 456 Columbus Avenue, New York City.

KNOX, J. M., formerly in the undertaking business at Pascagoula, Miss. and Biloxi, Miss.

LYMAN, M., formerly of 228 Utica Avenue, Brooklyn, N. Y.

MAZER, B., formerly proprietor of the New System Auto Radiator Company, 12 Forest Street, Gloversville, N. Y. Later moved to Brooklyn where he operated the Chicago Bargain House.

MÖHLER, O. A., previously at Mahnomen, Minn. Reported to have gone to St. Paul, Minn.

POLLAKOFF, M., formerly doing business at 502 Fifth Avenue, Brooklyn, N. Y.

POST, EDWARD J., formerly connected with the automobile business.

POTTS, E., formerly of Quincy, Ill.

REAGAN, JAMES L., recently of Jamestown, Tenn.

SMEDLEY, A. L., formerly connected with the garage business.

STEVENS, JOHN, recently engaged in a garage and auto accessory business at Quincy, Ill.

SULLWADE COMPANY, formerly at 4 Dundee Street, Boston, Mass.

TAGGART, J. A., 549 Washington Blvd., Chicago, Ill.

USED CAR DEPARTMENT OF AUTHORIZED FORD DEALERS, formerly of Chicago, Ill.

YOUNG, LOUIS, previously at 703 East Tremont Avenue, Bronx, New York City.

### Information Wanted

Members throughout the West, Northwest and Pacific Coast who have been approached by a man about 35 years of age, tall and slender with broad shoulders, dark brown curly hair, small eyes and squints when reading and using the following names, and claims to be representing a firm dealing in hose and corsets, will please confer with this office: Edwin Bryant, P. D. Camp, Ed. Ebure, John D. Hix, James B. Hix, H. H. Holmes, Frank Mix, M. S. Montgomery, James C. Wallace and Charles Wells.

### The Effect of Credit in Trade and Prices

(Continued from page 23)

broad policies of the enterprises in question. The development of a volume of business in excess of that warranted by its capital resources is the most insidious temptation which comes to any enterprise. Promising attractive profits, it results in a weakness which, whenever reverses in general conditions occur, threatens disaster. But any executive can keep his business on a sound basis, if he will be governed by the facts of the situation rather than by sentiment, and if he has the courage to keep the volume of business done within proper relation to his own capital.

Credit men are in a strategic position to promote sound policy. They are in a position to improve credit conditions by constantly bettering methods of credit control. When credit practice is wise and watchful, the chances are that business is sound. Credit men can render no greater service than by thus contributing to the stabilization of business conditions and the elimination of inflationary booms and resultant depression.

"The Leading FIRE INSURANCE CO. of America"



WM. B. CLARK, President

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give full protection and cover*

Fire

Sprinkler Leakage

Marine

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Tornado

Tourists' Baggage

Rent

Salesmen's Samples

Rental Value

Transit Floaters

Leasehold

Automobile Truck Transit

Use and Occupancy

Explosion

Profits

Riot and Civil Commotion

Losses Paid over

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**PERSONAL INVESTIGATIONS**—Upon request of a member of the National Association of Credit Men, a representative will be sent by a Bureau to adjust an account or investigate a debtor's condition.

**FRIENDLY ADJUSTMENTS**—This includes serving in a fiduciary capacity in any action of any character, for the common good of all credit, except bankruptcies.

BANKRUPTCY  
Bills  
Bills  
Bills  
A

**Legend.** A—Indicates Bureau not handling Personal Investigation. B—Do not handle Collections.

A B	ARIZONA—Phoenix—Arizona Wholesalers Board of Trade, 410 National Bank of Arizona Bldg. H. F. Allen Mgr.; Pres., Geo. O. Miller, Arizona Hardware Co.
A B	CALIFORNIA—Los Angeles—Los Angeles Wholesalers Board of Trade, Higgins Bldg. F. C. De Lano, Mgr.; Pres., H. Flattau, M. A. Newmark & Co.
A B	CALIFORNIA—San Diego—Wholesalers Board of Trade & Credit Association, 573 Spreckles Bldg. Carl O. Retaloff, Mgr. Pres., J. M. Purdy, Wellman-Peck Co.
A B	CALIFORNIA—San Francisco—Board of Trade of San Francisco, 444 Market St. G. W. Barnard, Sec'y; Pres., J. H. Newbauer, J. H. Newbauer & Co. Not controlled but affiliated with, the S. F. A. of C. M.
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	FLORIDA—Jacksonville—301 Law Exchange Bldg. A. J. Brown, Mgr.; M. S. Pollak, Chairman, care Benedict Pollak Co.
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	GEORGIA—Atlanta—304 Chamber of Commerce Bldg. R. Y. Barrett, Mgr.; J. H. Sutton, Chairman, J. K. Orr Shoe Co.
	GEORGIA—Augusta—313-15 Lamar Bldg. W. B. Oliver, Mgr.; Milledge Murphy, Chairman, care Murphy & Company.
	GEORGIA—Macon—5 Jacques Bldg. A. F. McGhee, Mgr.; C. O. Stone, Chairman, care Cox & Chappell Company.
	IDAHO—Boise—Boise City National Bank Bldg. D. J. A. Dirks, Mgr.; R. N. Davidson, Chairman, Davidson & Co.
	ILLINOIS—Chicago—38 So. Dearborn St. M. C. Rasmussen, Mgr.; D. J. Evans, Chairman, care National Lead Co.
	ILLINOIS—Decatur—220 Milliken Bldg. H. S. McNulta, Mgr.; Chairman, A. J. Murray, McClelland Grocery Co.
	INDIANA—Evansville—108 South Fourth St. C. Howard Saberton, Mgr.; Harry C. Dodson, Asst. Mgr.; A. W. Hartig, Chairman, care Hartig Plow Company.
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A B	IOWA—Davenport—401 Putnam Bldg. H. B. Betty, Mgr.; Pres., William Blair, Independent Salt Co.
	IOWA—Des Moines—820-4 Fleming Building. Don E. Neiman, Mgr.; Wm. Blaser, Chairman, Ind. Salt Co.
	IOWA—Ottumwa—Phoenix Trust Bldg. Wm. A. Hunt, Mgr.; Chairman, J. Spurgeon, Sam Mahon & Co.
	IOWA—Sioux City—601 Trimble Bldg. J. B. Murphy, Mgr.; Chairman, L. Motz, Armour & Co.
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A	KENTUCKY—Lexington—412 Fayette Bank Bldg. John D. Allen, Mgr.; B. J. McGarry, Chairman, care W. T. Sistrunk & Co.
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	MICHIGAN—Grand Rapids—450 Houseman Bldg. F. V. Blakey, Sec'y-Mgr.; B. C. Saunders, Chairman, Union Machine Company.
	MINNESOTA—Duluth—Duluth Jobbers Bureau, Inc., 411-9 Lonsdale Bldg. E. G. Robie, Mgr.; W. L. McKay, Chairman, Stone Ordean Wells Co.
B	MINNESOTA—Minneapolis—The Northwestern Jobbers Credit Bureau, 238-254 Endicott Bldg. St. Paul. W. A. Marin, Mgr.; W. C. Rodgers, Asst. Mgr.; Pres., C. D. McLaren, care Ozmun Kirk Co.; Paul A. Barkuloo, Chairman, McDonald Bros.
B	MINNESOTA—St. Paul—The Northwest Jobbers Credit Bureau, 241 Endicott Bldg. St. Paul, Minn.; W. A. Marin, Mgr.; W. C. Rodgers, Asst. Mgr.; Pres., C. D. McLaren, care Farwell Ozmun Kirk Company.
	MISSOURI—Kansas City—Missouri Valley Interchange & Adjustment Bureau, 315 Hall Bldg. A. E. Adam, Mgr.; Chairman, H. L. Miller, Townley Metal & Hardware Co.
	MISSOURI—St. Joseph—Missouri Valley Interchange & Adjustment Bureau, 315 Hall Bldg. Kansas City. A. E. Adam, Mgr.; Chairman, E. D. Plummer, Richardson Dry Goods Co., St. Joseph, Mo.
	MISSOURI—St. Louis—510 Locust St. St. O. Livingston, Mgr.; Chairman, W. E. Tarlton, Brown Shoe Co.
B	MONTANA—Billings—Box 1184. Raymond Hough, Mgr.; A. L. Greenleaf, Pres., Northwestern Distributing Co.
B	MONTANA—Butte—116 W. Parks St. J. M. Evans, Jr., Mgr.
A B	MONTANA—Great Falls—Northern Montana Association of Credit Men, 422 Ford Bldg.
	MONTANA—Helena—9 Pittsburgh Bldg. P. G. Shroeder, Mgr.; M. V. Wilson, Chairman, Helena Hardware Company.
A B	MONTANA—Livingston—Gallatin Park Association of Credit Men, 15 First State Bank Bldg. F. J. Haben, Mgr.; J. A. Lovelace, Chairman, Bozeman, Mont.
	NEBRASKA—Lincoln—Same as Omaha. G. E. Becke, Chairman, care Koramyer & Co.

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# What is this National Service?

## What Adjustment Bureaus

### Services that each one renders

**BANKRUPTCIES**—The Bureau is equipped to serve in a fiduciary capacity. Also attend hearings and otherwise investigate bankruptcy cases, even though a representative of the Bureau is not Receiver or Trustee.



**COLLECTIONS**—The Bureaus are equipped to handle collections in their respective cities or forward them for collection to attorneys. A collection item is received by a Bureau with the understanding that should developments indicate action for all creditors is necessary, the interest of one creditor becomes subservient to the interests of all.

In all cases, to expedite matters, accompany each claim with any data that affects the case and give complete instructions.

**NEBRASKA**—Omaha—420 Peters Trust Bldg. W. R. Bernd, Mgr.; Chairman, O. F. Lawyer, care Kirkendall Shoe Co.  
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**NEW YORK**—Buffalo—Erie County Bank Bldg. W. B. Grandison, Mgr.; Emil Woehler, Chairman, care Harvey Seed Company.  
**NORTH CAROLINA**—Wilmington—The Eastern Carolina Association of Credit Men, 806 Murchison Bldg. Harris S. Newman, Mgr.; Chairman, J. C. Rice, Hyman Supply Co.  
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**OHIO**—Toledo—National Bldg. Geo. B. Cole, Mgr.; H. T. Fulton, Chairman, Blodgett Beckley Co.  
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**VIRGINIA**—Norfolk—A. B. Norfolk-Tidewater Association of Credit Men, 221-2 Brokers Exchange Bldg. Shelton N. Woodard, Mgr.; Chairman, A. J. Clay, Southern Distributing Company.  
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**WISCONSIN**—Green Bay—Kellogg National Bank Bldg. Chris B. Dockry, Mgr.; Chairman, John Rose, Kellogg National Bank.  
**WISCONSIN**—Oshkosh—Room 6-7, 76 Main St. Chas. D. Breen, Mgr.; W. P. Findeisen, Medberry Findeisen Co.

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DEBTOR'S LOCATION**

**CO-OPERATION**

For further information on what the Adjustment Bureaus can do for you, write **C. H. Woodworth, Manager  
National Adjustment Bureau Dept.  
National Association of Credit Men  
41 Park Row, New York**



## An Insurance Agent offers complete protection

The fire extinguisher expresses the general fear of sudden loss by fire. To the thoughtful man it serves as a constant reminder of the ever present danger of destruction by fire. And it also reminds him of that economic necessity—insurance—the only protection against financial loss when property is destroyed.

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**Indemnity Insurance Company of North America**  
*write practically every form of insurance except life*

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**"The Oldest American Fire and Marine Insurance Company"**  
Founded 1792



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Strength in a fire insurance company, represented by substantial capital, surplus and assets, provides the policy-holder with a feeling of safety and security that is due him as a part of the insurance contract.

A policy in The Home of New York gives the property-owner not only that feeling of security, but actual assurance that he has the protection of America's Largest and Strongest Fire Insurance Company.

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REPUTATION

The HOME INSURANCE COMPANY NEW YORK

Elbridge G. Snow, President

Organized 1853

Cash Capital \$18,000,000



# Irving Bank, Columbia Trust Company

NEW YORK

*Statement of Condition, June 30, 1923*

## *Resources—*

Cash in Vault and with Federal Reserve Bank	\$41,466,419.40
Exchanges for Clearing House and due from other Banks . . . . .	60,413,308.66
Call Loans, Commercial Paper and Loans eligible for re-discount with Federal Reserve Bank . . . . .	111,488,936.69
United States Obligations . . . . .	<u>20,735,007.59</u>
<i>Other Loans and Discounts</i>	
Demand Loans . . . . .	20,575,021.81
Due within 30 days . . . . .	24,069,386.74
Due 30 to 90 days . . . . .	38,056,166.00
Due 90 to 180 days . . . . .	25,454,189.18
Due after 180 days . . . . .	<u>2,022,169.40</u>
Short Term Securities . . . . .	110,176,933.13
Other Investments . . . . .	13,768,219.22
New York City Mortgages . . . . .	2,534,585.70
Bank Buildings . . . . .	4,638,705.39
Customers' Liability for Acceptances by this Company and its Correspondents outstanding [anticipated \$1,978,318.49] . . . . .	4,983,810.66
	<u>18,636,092.11</u>
	<u>\$388,842,018.55</u>

## *Liabilities—*

Capital Stock . . . . .	\$17,500,000.00
Surplus and Undivided Profits . . . . .	<u>10,675,027.40</u>
Dividend Payable July 2, 1923 . . . . .	\$28,175,027.40
Discount Collected but not Earned . . . . .	525,000.00
Reserved for Taxes, Interest and Expenses . . . . .	1,286,362.35
Foreign Bills of Exchange sold with Endorsement of this Company Acceptances by this Company and by its Correspondents for its Account outstanding [including Acceptances to Create Dollar Exchange] . . . . .	810,616.74
Official Checks . . . . .	1,135,118.54
Deposits . . . . .	<u>20,614,410.60</u>
	<u>16,406,521.64</u>
	<u>319,888,961.28</u>
	<u>\$388,842,018.55</u>

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**THE CREDIT MONTHLY**  
A NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

Published by the National Association of Credit Men

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RODMAN GILDER, *Managing Editor*

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## **Do you know him —**

*This man is our representative  
in your city*

MANY people think of him solely as the man who writes out insurance policies and pays whatever losses occur under those policies. Simple, isn't it? Perhaps so, on the ordinary run of residential and other property where involved problems do not appear; but to handle the complicated intricacies of sprinkler engineering and special hazard schedule work requires the knowl-

edge of an expert. To round out the service necessary on rate checking and advanced fire prevention installation and methods, our agents are in close touch with our Engineering Department at the home office and our Field Engineers who are located in the principal cities. With these thoughts in mind, investigate for yourself.

*To be acquainted more closely with our representative  
and his work is a duty you owe your own business.*

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The CONTINENTAL**

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**FARMERS of IOWA  
FIDELITY-PHENIX**

# Real vs. Apparent Success

*By William Walker Orr, Editor*

THE difference between true success and failure is a matter of spiritual values. These values are measured by the extent to which the giving spirit or getting spirit dominates and controls the daily impulses. The difference between the really successful man and the unsuccessful is that the former as he goes along gives out of his talent and himself in the work he undertakes without thought of personal reward, and the latter can never dismiss or suppress the sense of what he himself has to get out of his labors.

There is failure ahead for the mother who lavishes devotion upon her child in order that she may secure the child's affection in return; there is failure for the "fee-first" artist who figures his time as worth so much per hour for his interpretation of the world beautiful and nature glorious; there is failure for the business man who sees his plant and his men only as profit making equipment for himself; there is failure for the credit manager who sees the credits he extends as only so much to come back to him at the end of a given number of days.

But there is success and happiness for the mother who gives of her heart and soul to the child with the child's welfare as her only purpose; success for the artist, who, blending his soul with all that is about him, seeks to interpret to the rest of us this old world in its various moods and whims; suc-

cess for the business man who sees his enterprise as a means of contributing substantially to the wants and delights of men and looks upon those who labor with him as associates in a worth-while enterprise; success for the credit manager who can see in credit an instrument of power under his control to bring many, whose ability would otherwise be limited, into a larger world of service.

Some there are who think they must search the wide world over to find that which can give happiness and a touch of success to their work. The credit man, right where he is, in his chosen field, no matter whether it be called small or expansive, has the interest that should often draw him out as an inspirer of new impulses and a guide for those who have missed the way.

Credit men need no other field for the play of imagination and the exercise of the highest impulses. The man who spends his days turning out bolts and still more bolts may be excused for failing to see any real romance in his job. It is there, but it is obscure. Not so with credits, every one of which has a human interest more or less sharp and clear, every one representing the hopes and desires and expectations of some one or more who are doing the work of the world and with whom the credit man goes along sometimes necessarily hand in hand in order that their expectations may be the more surely sustained.



# Heaviest freight in history— how will it affect your business this fall and winter?

Car loadings for period of twelve weeks  
(through 1st week in August):

<b>1923</b>		11,960,294 Freight Cars Loaded
<b>1922</b>		9,816,092 Freight Cars Loaded
<b>1921</b>		9,163,349 Freight Cars Loaded
<b>1920</b>		10,840,335 Freight Cars Loaded

**F**REIGHT car loadings are now running the heaviest in history, with a weekly increasing volume.

This fall and winter the railroads must carry the additional burden of heavy grain and coal shipments, with the weather against them.

Now more than ever is rapid, dependable truck delivery needed—for cleaning the terminals, and for short hauls.

Make sure that you have enough motor trucks, and that those you have are in good working condition.

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The sturdy  
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Wherever there's a road

*A complete line of Autocar trucks—new, rebuilt and reconditioned  
Capacities, 1 to 6 tons; chassis prices, \$1100 to \$4350*